

nary examination and survey "from deep water to Oyster, Va. (H. Doc. No. 209); to the Committee on Rivers and Harbors and ordered to be printed with illustration.

5. A letter from the Commissioner of Patents, transmitting the report of the business of the Patent Office for the year ended December 31, 1912 (S. Doc. No. 946); to the Committee on Patents and ordered to be printed.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 941) granting a pension to Sarah E. Dillon; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 4998) granting a pension to Thomas M. Carew Birmingham; Committee on Pensions discharged, and referred to the Committee on Invalid Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. RAKER: A bill (H. R. 7825) reappropriating and making available for the fiscal year ending June 30, 1914, the unexpended balance of the appropriation of \$15,000 for improvements at Fort Bidwell School, in California, under the act of August 24, 1912; to the Committee on Appropriations.

By Mr. KEATING: A bill (H. R. 7826) to provide for the closing of barber shops in the District of Columbia on Sunday; to the Committee on the District of Columbia.

By Mr. JOHNSON of Washington: Joint resolution (H. J. Res. 124) requesting the Secretary of War to submit to Congress a supplementary report on the project for the improvement of the mouth of the Columbia River; to the Committee on Rivers and Harbors.

By Mr. DYER: Resolution (H. Res. 236) to print an original article read in the general session of the Missouri State Medical Association, at the fifty-sixth annual meeting, held at St. Louis, May 13 to 15, 1913; to the Committee on Printing.

By Mr. ESCH: Memorial of the Legislature of Wisconsin memorializing Congress to amend section 5219 of the Revised Statutes of the United States, relating to the taxation by the several States of shares of stock in national banking associations; to the Committee on Ways and Means.

Also, memorial of the Legislature of Wisconsin memorializing Congress to adopt Senate joint resolution 131 and H. R. 16808, introduced during the second session of the Sixty-second Congress; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BOWDLE: A bill (H. R. 7827) granting an increase of pension to Theodore Eichlepp; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7828) granting an increase of pension to Anna Mary Huenemann; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7829) granting a pension to Mary Craig; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7830) granting a pension to Emma Fox; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7831) granting a pension to Sarah A. Shinkle; to the Committee on Pensions.

By Mr. DUPRÉ: A bill (H. R. 7832) granting an increase of pension to Emily Waters; to the Committee on Invalid Pensions.

By Mr. KIESS of Pennsylvania: A bill (H. R. 7833) granting an increase of pension to Sarah Jane Burroughs; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By the SPEAKER (by request): Petition of Local Union No. 8, United Brotherhood of Carpenters and Joiners of America, at Wheeling, W. Va., favoring a change in the present form of government; to the Committee on the Judiciary.

By Mr. ESCH: Petition of the Brotherhood of Locomotive Firemen and Enginemen, at Peoria, Ill., favoring adoption of electric headlights and safety appliances on road engines; to the Committee on Interstate and Foreign Commerce.

By Mr. PETERS (by request): Petition of Central Committee of the Socialist Party, of Boston, Mass., and the Boston Socialist Club with regard to Patrick Quinlan; to the Committee on the Judiciary.

By Mr. RAKER: Papers to accompany bill (H. R. 1514) for the relief of Bert Harris; to the Committee on Claims.

Also, petition of the voters of Pike, Cal., favoring Senate joint resolution No. 1, extending the right of suffrage to women; to the Committee on the Judiciary.

SENATE.

THURSDAY, August 28, 1913.

The Senate met at 11 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

CALLING OF THE ROLL.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hitchcock	Oliver	Smith, Ariz.
Bacon	James	Overman	Smith, Ga.
Borah	Johnson	Owen	Smith, S. C.
Brady	Jones	Page	Smoot
Brandeggee	Kenyon	Penrose	Sterling
Bristow	Kern	Perkins	Stone
Bryan	La Follette	Polindexter	Sutherland
Cañon	Lea	Pomerene	Thomas
Chilton	Lippitt	Reed	Thompson
Clapp	Lodge	Robinson	Townsend
Coit	McCumber	Root	Vardaman
Crawford	McLean	Shafer	Weeks
Cummins	Martin, Va.	Sheppard	Williams
Dillingham	Martine, N. J.	Sherman	Works
Fall	Myers	Shively	
Gallinger	Norris	Simmons	

Mr. McCUMBER. My colleague [Mr. GRONNA] is necessarily absent.

Mr. SHEPPARD. My colleague, the senior Senator from Texas [Mr. CULBERSON], is unavoidably absent. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

Mr. SMOOT. I desire to announce that the senior Senator from Delaware [Mr. DU PONT] and the junior Senator from Wisconsin [Mr. STEPHENSON] are detained from the Senate on account of illness.

Mr. GALLINGER. I make a similar announcement concerning the junior Senator from Maine [Mr. BURLEIGH].

The VICE PRESIDENT. Sixty-two Senators have answered to the roll call. There is a quorum present. The Secretary will read the Journal of the proceedings of the preceding day.

THE JOURNAL.

The Journal of yesterday's proceedings was read and approved.

MEMORIALS.

Mr. OLIVER presented a memorial of the directors and officers of the First National Bank of Swissvale, Pa., remonstrating against the enactment of legislation to provide for the establishment of Federal reserve banks, for furnishing elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, which was referred to the Committee on Banking and Currency.

Mr. ROOT presented a memorial of the De Laval Separator Co., of Poughkeepsie, N. Y., and of the Iowa Dairy Separator Co., of Waterloo, Iowa, remonstrating against the placing of centrifugal cream separators on the free list, which was ordered to lie on the table.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. MCLEAN:

A bill (S. 3056) granting an increase of pension to Annie M. Johnson (with accompanying papers); to the Committee on Pensions.

By Mr. LEA (by request):

A bill (S. 3057) for the adjudication and determination of the claims arising under joint resolution of July 14, 1870, authorizing the Postmaster General to continue in use in the postal service Marcus P. Norton's combined postmarking and stamp-canceling hand-stamp patents or otherwise; to the Committee on Claims.

AMENDMENT TO THE TARIFF BILL.

Mr. HITCHCOCK. I desire to ask for a reprint as corrected of the amendment which I offered on yesterday providing for the taxation of trusts, by striking out, on page 2, line 21, the words "a year." The reprint is rendered necessary on account of the typographical error.

The VICE PRESIDENT. The amendment will lie on the table and will be reprinted as corrected at the request of the Senator from Nebraska.

NATIONAL CONSERVATION EXPOSITION, KNOXVILLE, TENN.

Mr. LEA submitted the following resolution (S. Res. 175), which was referred to the Committee on Industrial Expositions:

Whereas the National Conservation Exposition is to be held at Knoxville, Tenn., from September 1, 1913, to October 31, 1913, inclusive; and

Whereas this exposition has for its purpose the emphasizing of the necessity for conservation of all natural resources of the country and the study of the best methods of forwarding this movement; and

Whereas the officers of the said National Conservation Exposition have requested the honor of the presence of Members of the Senate of the United States at some time during said exposition, to be designated by the Senate: Therefore be it

Resolved, That the President of the Senate be empowered to appoint a committee of seven Members which will accept this invitation on the part of the Senate and visit said exposition at some time to be agreed upon between the members of said committee and the president of the exposition.

SUBJECT INDEX TO CONGRESSIONAL RECORD.

Mr. LEA submitted the following resolution (S. Res. 176), which was referred to the Committee on the Library:

Resolved, That the Committee on the Library be empowered and directed to cause to be made a subject index of the contents of the CONGRESSIONAL RECORD, in the nature of a digest reference of the speeches, debates, and subjects introduced into the RECORD, to be supplementary to the present form of index, to begin with the Sixty-second Congress and go back Congress by Congress to the beginning of the publication of the RECORD, to be printed for use as each Congress is completed. The index shall be by subjects, with the names of the Senators or Representatives who are the authors attached to each reference.

That they shall also cause to be made and maintained a current subject index to begin with the Sixty-third Congress and go forward, to be in addition to the present form of index.

That the committee shall employ for constructing such subject index a capable man with expert knowledge of public affairs and intelligent conception of the subject matter of legislation and discussion in Congress, who shall, when so selected, become an official employee of the Senate and go upon its rolls and be paid \$3,600 per year for his services.

That the subject index be furnished a suitable room or rooms, in the Capitol or elsewhere, furnished or equipped for his work and cared for, and he shall be entitled to a credit of \$200 per year in the stationery room of the Senate for office stationery and supplies.

PERSONAL EXPLANATION.

Mr. POINDEXTER. Mr. President, I rise to a question of personal privilege. I send to the Secretary's desk and ask to have read a publication which recently appeared in a newspaper published in the city of Seattle, in the State of Washington.

The VICE PRESIDENT. The Secretary will read as requested.

The Secretary read as follows:

POINDEXTER CLAN CLUTTERS PUBLIC OFFICE PAY ROLL—ALLEGED FRIEND OF THE PEOPLE GRABS ALL PATRONAGE FOR RELATIVES—TAKES CARE OF VIRGINIA—FAMILY ALSO GETS FAT PRICE FROM GOVERNMENT FOR ESTATE IN SOUTH—WASHINGTON SENATOR SOON AFTER BUYS IMPOSING HOME IN CAPITAL—GETTING VERY GOOD FOR THE POINDEXTERS.

The Progressive Senator from Washington, MILES POINDEXTER, a supporter of conservation, unloads Virginia mountain land owned by his family on the Forest Service for \$30,000.

He buys an imposing home in Washington following this sale. POINDEXTER has no appointments for party supporters in his own State, but has put three brothers, one son, six cousins, and the wife of a seventh cousin on the Federal pay roll since he entered Congress.

These relatives are:

Ernest Poindexter.
William Poindexter.
Fielding L. Poindexter.
Gale Poindexter.
Eugene Poindexter.
Carlton D. Poindexter.
Robert H. Poindexter.
Maj. Jefferson D. Poindexter.
Mrs. Anna L. Poindexter.
Poindexter.

Samuel J. Graham.
The unnamed Poindexter is on the navy-yard pay roll at Washington, D. C., and the son, Gale Poindexter, is a midshipman at Annapolis. The first three named are brothers of the Progressive Senator, the fourth is his son, and the seven last are cousins.

Mr. POINDEXTER. Mr. President, this is the first time in more than four years' service in Congress that I have risen to a question of personal privilege. In general, it is not a good practice to speak of one's private and personal affairs in public, for two reasons. First, it is an imposition on the public which has to listen, and, second, it is an embarrassment to the individual whose private affairs are exposed to the public gaze. I would not have done so in this case, but for the fact that this libelous publication has been printed and reprinted throughout the Nation, and on account of its specific and circumstantial statements seems to receive

more credence than such publications usually meet with. Furthermore, it involves a number of other people besides myself, who are outraged by the false statements made concerning them and who are entitled to have the matter corrected. There is also another reason, the more important one, perhaps, namely, that the honor of this great tribunal is itself concerned in the conduct of every Member of it. If the matter has been called to your attention you are entitled to know all the facts concerning it. I have too great a respect for the Senate of the United States even to pretend that I am indifferent to an attack upon the integrity or even the propriety of my conduct here.

I have not asked that the entire article be read, as it is somewhat lengthy, but what has been read covers the essential points. The publication states that I have secured Government positions for 11 relatives, whose names are given, as follows: Ernest Poindexter, William Poindexter, Fielding L. Poindexter, Gale Poindexter, Eugene Poindexter, Carlton D. Poindexter, Robert H. Poindexter, Maj. Jefferson D. Poindexter, Mrs. Anna L. Poindexter, ——— Poindexter, Samuel J. Graham.

The truth is that I do not know Eugene Poindexter, Robert H. Poindexter, Maj. Jefferson D. Poindexter, Mrs. Anna L. Poindexter, or ——— Poindexter. I have never had any correspondence with them or with anyone on their behalf, and never heard of them until my attention was called to the publication referred to. I do not know whether they are holding Government positions or not. If they are holding such positions I had nothing whatever, directly or indirectly, to do with the same.

Of the others named—Ernest Poindexter, Fielding L. Poindexter, and Samuel J. Graham—Ernest Poindexter does not hold any Government position, and, as far as I am aware, never has held any, except that in 1900 he assisted in taking the Federal census at Walla Walla, Wash., which employment lasted for a few weeks.

Fielding L. Poindexter is a first lieutenant, retired, in the United States Army. He was appointed second lieutenant after serving as a private in the Oregon Volunteers in the war in the Philippine Islands. He was highly commended for voluntarily exposing himself under fire in a special duty. After returning to this country and many years before I was a Member of Congress, and on account of the strong recommendations of his superior officers, he was commissioned a second lieutenant, and was later promoted first lieutenant and retired. Since then he has at various times been employed in active service as military instructor in certain schools and as recruiting officer at different points, and acted in both of these capacities long before I became a Member of Congress.

Samuel J. Graham is a distant cousin of mine, but does not owe his appointment to me in any sense whatever. His home is in Pittsburgh, Pa. He was the leader of the Wilson forces in the primary campaign in western Pennsylvania, and later was one of the Wilson managers on the floor of the Baltimore convention. He is a gentleman of excellent character and a lawyer of ability. He owes his position to his own standing and to the support of influential Members of Congress from Pennsylvania and many other States.

Carlton D. Poindexter I have had some correspondence with, and received a call from him on one occasion in this city. He lives in West Virginia, and is not a relative of mine unless it be that some centuries back we may have had a common ancestor. He had a clerkship under the Isthmian Canal Commission, which, I believe, was in the classified service and was given to him under the rules of that service after an examination. My impression is that he gave up the position some years ago, although I am not sure as to that.

Gale Poindexter is my son. I notice the charge is made that when appointed to Annapolis he was accredited to the State of Washington. In view of the fact that he was born in the State of Washington and has lived there all his life, he being now 20 years of age, I know of no reason why he should not be accredited to that State. His mother was born and has lived all of her life in the State of Washington; his grandfather, Thomas Page, lived in Walla Walla and did his full share as a leader in peace and war to hold and develop that great valley; his great-grandfather, Joseph Gale, was a member of the first executive committee which governed the Oregon colony. Joseph Gale built the first ship that was constructed on the Pacific coast and navigated it from the Columbia River to San Francisco, where he exchanged it for cattle, which he brought back to the Willamette Valley. He was one of the great free spirits whose genius and courage put the Oregon colony on a substantial footing and laid the foundations for four Commonwealths of the Union. He was one of the noted "mountain men" who, always pressing forward, carried civilization inland from the Willamette Valley. Nevertheless the publication referred to intimates that his great-grandson, Gale, is an alien to that land.

I think the editor of the publication has been in the State two years and, of course, may have some superior claims upon the State. This vicious libeler has lived two years in the State of Washington and thinks he has now been there long enough to be the arbiter as to who should and who should not be accredited to the State. A short time ago this editor conducted a Democratic paper in this city, whence he went direct to conduct a standpat Republican paper in Seattle. He was a complete failure, for a reason indicated by his name—Bone—more Bone than otherwise, too much Bone. A failure else here, he will be a failure in Seattle. We have come upon degenerate times and customs in some respects, but we have not yet become so wholly corrupt that a man without regard for truth or justice can make a permanent success in the newspaper business.

It seems to be claimed that my son should not have been appointed to Annapolis at all. I was not aware that young men in this country were barred absolutely the opportunity of service in the Army or Navy because their fathers were in Congress. Perhaps, however, that is the case according to the very high standards of the newspaper referred to. My understanding has always been in regard to this and other similar matters, that the proper rule is that all should be treated alike; that there should be no favor or discrimination one way or the other. I think myself that discrimination one way would be as bad as the other way.

I did not appoint my son to Annapolis. He was appointed by Representative WILLIAM L. LA FOLLETTE, however, at my and my son's suggestion and request. I suppose, however, that Representative LA FOLLETTE would not have appointed him except that in his judgment the appointment was proper and fair. At any rate, it was passed upon and acted upon not by myself but by Representative LA FOLLETTE, and it was for the very reason that I desired it to be so that I did not make the appointment myself. It is also true that at the same time, at Representative LA FOLLETTE's request, I appointed Earl Chambers, of Spokane, to the West Point Military Academy. In this I also acted upon my own judgment as to the propriety of the appointment. In fact, as the record will show, I had previously appointed Earl Chambers to Annapolis, and he had failed in the entrance examinations, and could not be appointed to Annapolis by Representative LA FOLLETTE, because he had passed the age limit for admission to that academy. I was so impressed, however, with his perseverance and excellent character and disposition that I was glad, not only on Representative LA FOLLETTE's request but on my own account, to give him the appointment to West Point.

I believe the only other person mentioned in the list of 11 "nepotes" by the paper referred to is my brother, William Poindexter, and out of the 11 persons named this is the only one in regard to whom the allegation is true. I did appoint him to a position in the folding room of the Senate, and he filled the position for some time and did the work required, although recently he has been compelled by ill health to be absent, and is now in a hospital.

The malice of the paper referred to is indicated by its repetition of the false statement after it had been informed of its utter falsity. In fact, the original publication shows on its face that the editor knew it to be false at the time it was published. For instance, it lists Maj. Jefferson D. Poindexter as one of the horde of relatives for whom it alleges I have obtained appointments, yet in the same article is the admission that the said Maj. Jefferson D. Poindexter—whom I do not know—"entered the Government service without aid from the Progressive Senator."

If there is any Senator in this body who can say that I have ever requested his support for a relative of mine for office, I would ask him to state it now or hereafter, so that it may be printed in the Record, where Mr. Bone can read it. I do not recall any such request.

In the same article there is an insinuation that I had some corrupt connection with the sale to the Government of lands in Virginia in which I was interested. This is as utterly false as the statements referred to above. Of course, with the vindictiveness of this paper, if there is any record or proof to support their allegation that I "unloaded Virginia mountain land on the Forest Service," they will produce it. They have not produced it, because no such fact exists. The sale referred to was of a portion of the estate of my grandfather, Judge Francis T. Anderson, in Rockbridge County, Va. It was negotiated with the Forest Service by the executor of the estate, my uncle, Hon. William A. Anderson, of Lexington, Va. I did not suggest it to him, and had absolutely no connection with the matter from beginning to end. I had originally a slight interest in the land sold, but long before the sale had assigned that interest.

In the search of this editor for misconduct I am charged also with the crime of buying a house. It is true that I have bought a small house at a modest price. Not a dollar of the money from the sale of the Anderson land in Virginia was invested in this house, for the very good reason, as stated above, that my interest in it was long before assigned to persons in the State of Washington, the details of which can easily be produced, if necessary.

I will state, in addition, that I have never spoken or written a word to any Government official in regard to that sale. I only had a very slight interest in it—I think a forty-second interest.

If this editor had broadened the scope of his investigation, he would have found that in my disreputable career this is not the only offense of this kind I have committed, but that at other times and places, in the last quarter of a century, in different States, both before and since I became a Member of Congress, I have been guilty of buying houses and paying on those in the State of Washington my share of the exorbitant taxes which the political ring, of which this newspaper is the principal exponent, has imposed upon the people of my State.

The article which the Clerk has read is a criminal libel. Its malice is demonstrated by its repetition in the same paper, and by enlargements upon it in the most offensive form of which petty vindictiveness is capable. It is of the same class of weapons in common use by the criminal interests by which this interest-serving paper is controlled and in which it is a common partner. It is in the same class as murder by the robber syndicate of Alaska, kidnaping and assassination with dynamite and pistol by the franchise grabbers of San Francisco, and the bribery of judges and packing of juries in the State of Washington by the same railroad company which supplied the money for the purchase of this paper from its former owners. This ring and the interests they represent seem to want to make this a war of extermination. I often wonder if they imagine that in such a war they will be the ones who will survive. There can be only one kind of liberty in this country, and that is liberty subject to and regulated by law. It is singular that the proprietors of these property interests can not see that when they leave that safe highway there is no other way by which they may be saved. When they pack juries and corrupt elections, as they have done so often, they are striking at the foundations of their own castle. When they institute a war of fraud and slander and take up the torch and stiletto of the Mafia and Camorra they can not complain when the evil day comes.

It is said that incendiary speeches, denouncing the flag and the law, were made recently in Seattle by orators of the so-called I. W. W.'s. Forthwith, in order to cure the I. W. W.'s of incendiarism and teach them to respect the law and honor the flag, a mob broke into the I. W. W.'s rooms and made a bonfire of their property. The mob was led by United States sailors and incited by the same type of paper of which I am speaking. It was a fine example of obedience to law and respect for the flag. Of course it will have the same beneficent effect that all such object lessons have. However, if I were leading or inciting the game of torches I should want to be sure that I lived myself in an asbestos house. "They who live by the sword shall die by the sword."

It is our good fortune, however, to have our habitation in a land where public opinion is sovereign and just. We are members of a people who have decreed in their hearts that the law shall be supreme; that there shall be no discrimination as to persons, whether the disturber of the peace be a thieving corporation, an I. W. W. wind jammer, an incendiary mob, or a libelous newspaper. The ignorant and poverty-stricken alien who talks lawlessness should be punished, but for every year of his incarceration the bandits of big business and their literary prostitutes, like this man Bone, who act lawlessness, should serve 10 years in prison. A hired criminal libeler is in the same class as a hired murderer. Nothing would do this country more good to-day than that they and those who hire them should have a chance to learn what the flag really represents as it waves over a penitentiary in which they are confined at hard labor. Their present course illustrates that perfectly familiar but yet quaintly curious wise saying, "Whom the Gods would destroy they first make mad."

THE TARIFF.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. LA FOLLETTE. On that I ask for the yeas and nays, Mr. President.

The yeas and nays were ordered.

Mr. ASHURST. Mr. President, I ask that the pending question may be stated.

The VICE PRESIDENT. The Secretary will state the amendment proposed by the Senator from Wisconsin, which is the pending question.

The SECRETARY. The amendment is to strike out all after the word "exceeds" in line 19, page 165, all of lines 20 and 21, page 165, down to and including "\$100,000," in line 3, page 166, and insert in lieu thereof the following: "\$10,000 and does not exceed \$20,000, and 1½ per cent per annum upon the amount by which the total net income exceeds \$20,000 and does not exceed \$30,000, and 2 per cent per annum upon the amount by which the total net income exceeds \$30,000 and does not exceed \$40,000, and 2½ per cent per annum upon the amount by which the total net income exceeds \$40,000 and does not exceed \$50,000, and 3 per cent per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$60,000, and 4 per cent per annum upon the amount by which the total net income exceeds \$60,000 but does not exceed \$70,000, and 5 per cent per annum upon the amount by which the total net income exceeds \$70,000 but does not exceed \$80,000, and 6 per cent per annum upon the amount by which the total net income exceeds \$80,000 but does not exceed \$90,000, and 7 per cent per annum upon the amount by which the total net income exceeds \$90,000 but does not exceed \$100,000, and 10 per cent per annum upon the amount by which the total net income exceeds \$100,000."

Mr. SIMMONS. I suggest the absence of a quorum, Mr. President.

The VICE PRESIDENT. The absence of a quorum being suggested, the Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Gallinger	Norris	Shively
Bacon	Hollis	Oliver	Simmons
Borah	Hughes	Overman	Smith, Ariz.
Bradley	James	Page	Smith, Ga.
Brady	Johnson	Penrose	Smoot
Brandegee	Kenyon	Perkins	Sterling
Bristow	Kern	Polindexter	Sutherland
Bryan	La Follette	Pomerene	Thomas
Catron	Lea	Ransdell	Thompson
Chilton	Lippitt	Reed	Townsend
Clapp	Lodge	Robinson	Vardaman
Coit	McCumber	Root	Walsh
Crawford	McLean	Saulsbury	Weeks
Cummins	Martin, Va.	Shafer	Williams
Dillingham	Myers	Sheppard	
Fall	Nelson	Sherman	

Mr. RANSDELL. I wish to announce that my colleague, the senior Senator from Louisiana [Mr. THORNTON], is unavoidably absent on important business. I ask that this announcement stand for the day.

The VICE PRESIDENT. Sixty-two Senators have answered the roll call. There is a quorum present. The question is on the amendment proposed by the Senator from Wisconsin [Mr. LA FOLLETTE], on which the yeas and nays have been ordered. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. ASHURST (when his name was called). Mr. President, I have been assured by leading members of the Finance Committee that the necessary alteration will be made in the present condition of the bill, so that incomes over \$100,000 a year will be taxed properly. I vote "nay."

Mr. WILLIAMS. Mr. President, I do not know that I understood the Senator.

Mr. LA FOLLETTE. The roll call is proceeding, as I understand.

The VICE PRESIDENT. The roll call is proceeding.

Mr. WILLIAMS. If the Senator from Arizona was in order, I am.

Mr. PENROSE and other Senators. Regular order!

Mr. WILLIAMS. I simply desire to say that nobody had a right to give such assurance.

Mr. CHILTON (when his name was called). I have a general pair with the junior Senator from Maryland [Mr. JACKSON], which I transfer to the junior Senator from Tennessee [Mr. SHIELDS] and will vote. I vote "nay."

Mr. DILLINGHAM (when his name was called). I have a general pair with the senior Senator from Maryland [Mr. SMITH]. As he is absent this morning, I withhold my vote.

Mr. McCUMBER (when Mr. GRONNA's name was called). My colleague is necessarily absent. He has a pair with the junior Senator from Illinois [Mr. LEWIS]. I will allow this announcement to stand for all votes during the day.

Mr. McCUMBER (when his name was called). I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS]. As he is absent, I will withhold my vote.

Mr. OLIVER (when his name was called). I have a general pair with the senior Senator from Oregon [Mr. CHAMBERLAIN]. As he is absent, and not knowing how he would vote if present, I withhold my vote.

Mr. REED (when his name was called). I have a pair with the senior Senator from Michigan [Mr. SMITH], which I transfer to the junior Senator from Oklahoma [Mr. GORE] and will vote. I wish to be permitted to say that I am voting under the impression and belief, which is very firm with me, that this matter will be further considered and will come up again. Under those circumstances I vote "nay."

Mr. TOWNSEND (when the name of Mr. SMITH of Michigan was called). The senior Senator from Michigan is absent from the Senate on important business. He is paired with the junior Senator from Missouri [Mr. REED]. I desire to have this announcement stand for the day.

Mr. SUTHERLAND (when his name was called). I understand the senior Senator from Arkansas [Mr. CLARKE] is not present. I have a pair with that Senator and therefore withhold my vote.

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON], which I transfer to the senior Senator from Louisiana [Mr. THORNTON] and will vote. I vote "nay."

Mr. THOMPSON (when his name was called). With the assurance that I have received—

Mr. GALLINGER. Mr. President, debate is not in order.

SEVERAL SENATORS. Regular order!

Mr. THOMPSON. I vote "nay."

Mr. PERKINS (when the name of Mr. WORKS was called). My colleague [Mr. WORKS] is temporarily absent on official business. If he were present, he would vote "yea."

The roll call was concluded.

Mr. SAULSBURY. I am requested to announce that both Senators from Oregon [Mr. CHAMBERLAIN and Mr. LANE] are absent on official business.

Mr. STONE. I transfer the general pair I have with the senior Senator from Wyoming [Mr. CLARK] to the senior Senator from Nebraska [Mr. HITCHCOCK] and will vote. I vote "nay."

Mr. SMOOT. I am requested to announce that the senior Senator from Washington [Mr. JONES] has been called from the Chamber on account of public business. If he were present, he would vote "yea."

Mr. FLETCHER. I am paired with the junior Senator from Wyoming [Mr. WARREN]. I transfer that pair to the junior Senator from Oregon [Mr. LANE] and will vote. I vote "nay."

Mr. GALLINGER (after having voted in the negative). I inquire if the junior Senator from New York [Mr. O'GORMAN] has voted?

The VICE PRESIDENT. He has not.

Mr. GALLINGER. I have a general pair with that Senator. I transfer that pair to the junior Senator from Maine [Mr. BURLEIGH] and will allow my vote to stand.

I have been requested to announce pairs between the senior Senator from Delaware [Mr. DU PONT] and the senior Senator from Texas [Mr. CULBERSON], the junior Senator from West Virginia [Mr. GOFF] and the Senator from Alabama [Mr. BANKHEAD], and the junior Senator from Wisconsin [Mr. STEPHENSON] and the senior Senator from South Carolina [Mr. TILLMAN].

The result was announced—yeas 17, nays 43, as follows:

YEAS—17.			
Borah	Cummins	Page	Townsend
Brady	Kenyon	Perkins	Vardaman
Bristow	La Follette	Polindexter	
Clapp	Nelson	Sherman	
Crawford	Norris	Sterling	
NAYS—43.			
Ashurst	Hughes	Owen	Simmons
Bacon	James	Penrose	Smith, Ariz.
Brandegee	Johnson	Pomerene	Smith, Ga.
Bryan	Kern	Ransdell	Smoot
Catron	Lea	Reed	Stone
Chilton	Lippitt	Robinson	Thomas
Coit	Lodge	Root	Thompson
Fall	McLean	Saulsbury	Walsh
Fletcher	Martin, Va.	Shafer	Weeks
Gallinger	Myers	Sheppard	Williams
Hollis	Overman	Shively	
NOT VOTING—35.			
Bankhead	du Pont	McCumber	Smith, S. C.
Bradley	Goff	Martine, N. J.	Stephenson
Burleigh	Gore	Newlands	Sutherland
Burton	Gronna	O'Gorman	Swanson
Chamberlain	Hitchcock	Oliver	Thornton
Clark, Wyo.	Jackson	Pittman	Tillman
Clarke, Ark.	Jones	Shields	Warren
Culbertson	Lane	Smith, Md.	Works
Dillingham	Lewis	Smith, Mich.	

So Mr. LA FOLLETTE's amendment was rejected.

Mr. BRISTOW. Mr. President, I offer an amendment, which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. The Senator from Kansas [Mr. BRISTOW] offers the following amendment:

On page 165, in line 6, before the figure "1," insert " $\frac{1}{2}$ of," and in line 18, before the figure "1," insert " $\frac{1}{2}$ of"; in line 19 strike out "\$20,000" and insert in lieu thereof "\$10,000"; in line 20 strike out "\$50,000" and insert in lieu thereof "\$20,000," and strike out the figure "2" and insert in lieu thereof the figure "1."

On page 166, in line 1, strike out "\$50,000" and insert in lieu thereof "\$20,000," strike out "\$100,000" and insert in lieu thereof "\$30,000," and strike out the figure "3" and insert in lieu thereof " $\frac{1}{2}$ "; in line 3 strike out "\$100,000" and the period and insert in lieu thereof "\$30,000 and does not exceed \$40,000, and 2 per cent per annum upon the amount by which the total net income exceeds \$40,000 and does not exceed \$50,000, and 2½ per cent per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$60,000, and 3 per cent per annum upon the amount by which the total net income exceeds \$60,000 and does not exceed \$70,000, and 3½ per cent per annum upon the amount by which the total net income exceeds \$70,000 and does not exceed \$80,000, and 4 per cent per annum upon the amount by which the total net income exceeds \$80,000 and does not exceed \$90,000, and 4½ per cent per annum upon the amount by which the total net income exceeds \$90,000 and does not exceed \$100,000, and 5 per cent per annum upon the amount by which the total net income exceeds \$100,000."

Mr. BRISTOW. Mr. President, on yesterday I offered an amendment providing for a graduated scale, adding 1 per cent additional tax for each additional \$10,000 of income, making the total tax 10 per cent on an income of \$100,000. Objection was made to that by the Senator from Mississippi [Mr. WILLIAMS], in charge of this part of the bill, upon the ground that it would provide too much revenue, thereby giving us more money than is needed. To meet that objection, I have prepared an amendment which starts with one-half of 1 per cent on less than \$10,000, and then adds, as an additional rate, one-half of 1 per cent for each additional \$10,000 of income until \$100,000 is reached, when the tax becomes 5 per cent, and all over \$100,000 is taxed at 5 per cent.

This would bring in approximately the same revenue as the provision in the bill. It is not as much money as I think we ought to raise from incomes. The tax is not as high as I think it ought to be, but it is higher on the large incomes than the present bill provides.

Mr. GALLINGER. Mr. President—

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from New Hampshire?

Mr. BRISTOW. I do.

Mr. GALLINGER. Do I understand the Senator to say that the aggregate amount collected under the provisions of this amendment would be approximately the same as that collected under the bill itself?

Mr. BRISTOW. Yes.

Mr. GALLINGER. The only difference being that there is a larger percentage assessed on the large incomes?

Mr. BRISTOW. And a smaller percentage on the small incomes.

Mr. LODGE. It is better proportioned.

Mr. BRISTOW. Yes; it is better proportioned.

To illustrate: On an income of \$10,000 the tax under this amendment will be \$35, while under the bill it will be \$70; on an income of \$20,000, under my amendment it will be \$135, while under the bill it will be \$170; on \$30,000, under my amendment it will be \$285 and under the bill \$370; on \$40,000, under my amendment it will be \$485 and under the bill \$570; on \$50,000, under my amendment it will be \$735 and under the bill \$770; on \$60,000, under my amendment it will be \$1,035 and under the bill \$1,070; on \$70,000, under my amendment it will be \$1,385 and under the bill \$1,370; on \$80,000, under my amendment it will be \$1,785 and under the bill \$1,670; on \$90,000, under my amendment it will be \$2,235, while under the bill it will be \$1,970; on \$100,000, under my amendment it will be \$2,735, while under the bill it will be \$2,270. Under my amendment it will be 5 per cent on all incomes over \$100,000, while under the bill it will be 4 per cent on all incomes over \$100,000. As nearly as can be estimated, I think that the gross collection under this amendment will be about the same as under the bill.

Mr. SUTHERLAND. Mr. President—

Mr. BRISTOW. I yield to the Senator.

Mr. SUTHERLAND. I call the attention of the Senator from Kansas to the fact, which he very well understands, that the number of incomes of \$10,000 and less will be very much greater than those above that amount. I wish to ask the Senator whether he has taken that into consideration in making his estimate?

Mr. BRISTOW. I have.

Mr. SUTHERLAND. If the Senator will permit, it seemed to me, as I listened to the figures the Senator gave, that the amount of the assessment under his proposed amendment is not

as much as the amount proposed by the pending bill until we reach the income of something over \$40,000—

Mr. BRISTOW. Yes; \$60,000.

Mr. SUTHERLAND. Sixty thousand dollars, which would cause me to think that probably his amendment would not produce as much revenue as the proposed amendment of the committee.

Mr. BRISTOW. Of course, it is impossible to tell, but the committee estimates that the large collection under the committee bill will be on the incomes ranging from \$50,000 up. Under the estimate of the committee the incomes from \$100,000 to \$250,000 will bring \$11,650,000, and the largest collection that will be made will be on incomes of more than \$100,000.

Mr. SUTHERLAND and Mr. BORAH addressed the Chair.

The VICE PRESIDENT. Does the Senator from Kansas yield, and to whom?

Mr. BRISTOW. I yield first to the Senator from Utah.

Mr. SUTHERLAND. I was going to make one other suggestion.

Mr. BRISTOW. There will be just as much money collected under this amendment as under the law as proposed if any reliance whatever can be made upon the committee estimate as to the size of the income which will pay the greater amount of the tax.

Mr. SUTHERLAND. As I understand this amendment, if it will raise as much revenue as that proposed by the committee I intend to support it, because I think it is a very much better arrangement than that proposed by the committee. As I said yesterday in speaking about the former amendment proposed by the Senator from Kansas, I think the proposition of the committee is altogether unscientific; the gap between \$50,000 and \$100,000 is too large a gap to make in arranging the graduated scale.

I was going to suggest to the Senator from Kansas whether it would not be better if he would begin his assessment at half of 1 per cent on incomes between \$1,500 and \$5,000, 1 per cent between \$5,000 and \$10,000, and then on up.

Mr. BRISTOW. I did not want to inject that element of discussion into this amendment. It is a separate proposition as to whether we are assessing a tax on low enough incomes. That is a different proposition from the graduation of the tax that is assessed, and there is a wide difference of opinion among those who favor an income tax as to the amount of exemptions. I did not want to involve that question in this amendment.

Mr. SUTHERLAND. Then I make this suggestion to the Senator, in order that it may be certain that there will be as much revenue raised by this proposed amendment as under the bill: Would the Senator object to making the initial figure 1 per cent instead of half of 1 per cent, and then going up by steps of half a cent each time until we reach the \$100,000 income, which would be taxed at the rate of 5½ per cent?

Mr. BRISTOW. I could not favor that because that taxes the man with less than \$10,000 at a higher rate than the man with more than \$10,000. I do not think that we ought to put a larger percent of tax on the man with the lower income.

Mr. SUTHERLAND. It puts a higher tax all the way up the line.

Mr. BRISTOW. But I have all that worked out. If I do that I will meet with the same objection that I met with yesterday in the first amendment, because that will raise a good deal more money than the present bill will raise. If you take that, then the assessment on \$100,000 would be \$32,020, which would be all right, and it would be \$70 on the \$10,000 man, and it would raise a good deal more money than the bill as it is presented to us.

To satisfy Senators that this amendment will raise as much revenue as the bill as proposed I want to call attention to the estimate given in the report. It is estimated that on incomes above \$50,000 there will be \$45,000,000 collected out of the \$70,000,000. The estimate of the committee is that there will be \$25,000,000 collected on incomes less than \$50,000 under the committee rates and \$45,000,000 will be collected on incomes above \$50,000. On every income of less than \$50,000 I have reduced the rate. On most of the incomes above \$50,000 I have increased the rate. The committee estimate here that \$35,000,000, or half of the revenue from this income tax, will be collected from parties whose income is more than \$100,000 per annum. If half of it is collected on incomes of more than \$100,000 per annum on all those incomes, I add one additional per cent, making it 5 per cent instead of 4 per cent.

Mr. BRISTOW subsequently said: I ask permission to have incorporated in my remarks a table showing the amount that would be paid on each one of the divisions suggested in the amendment I offered.

The PRESIDING OFFICER (Mr. SMITH of Georgia in the chair). Is there any objection? The Chair hears none, and it will be so ordered.

The table referred to is as follows:

Tax on incomes to \$100,000.

Incomes.	Revenue collected on maximum amount each division. ¹	Revenue collected on maximum amount each division. ²
Up to \$10,000 at 1 per cent.....	\$35	\$70
From \$10,000 to \$20,000 at 1 1/4 per cent=1 per cent.....	135	170
From \$20,000 to \$30,000 at 1 1/2 per cent=1 1/4 per cent.....	285	370
From \$30,000 to \$40,000 at 1 3/4 per cent=1 1/2 per cent.....	485	570
From \$40,000 to \$50,000 at 2 per cent=1 3/4 per cent.....	735	770
From \$50,000 to \$60,000 at 2 1/4 per cent=2 per cent.....	1,035	1,070
From \$60,000 to \$70,000 at 2 1/2 per cent=2 1/4 per cent.....	1,385	1,370
From \$70,000 to \$80,000 at 2 3/4 per cent=2 1/2 per cent.....	1,785	1,670
From \$80,000 to \$90,000 at 3 per cent=2 3/4 per cent.....	2,235	1,970
From \$90,000 to \$100,000 at 3 1/4 per cent=3 per cent.....	2,735	2,270

¹ Proposed amendment.

² Committee bill.

Mr. BORAH. Mr. President—

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Idaho?

Mr. BRISTOW. I do.

Mr. BORAH. I am not going to suggest to the Senator to amend his amendment and I am going to vote for it, but I want it understood that in doing so I do it as a concession to a situation. I am thoroughly of the opinion that when a man has an income of \$20,000 there ought to be a different rate established from that which the amendment provides for. We must remember that in computing an income for the purpose of a normal tax there should be allowed as deductions, according to the amendment of the committee—

First, the necessary expenses actually paid in carrying on any business, not including personal, living, or family expenses; second, all interest paid within the year by a taxable person on indebtedness; third, all national, State, county, school, and municipal taxes paid within the year, not including those assessed against local benefits; fourth, losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise; fifth, debts due to the taxpayer actually ascertained to be worthless and charged off within the year; sixth, a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per cent of the gross value at the mine of the output for the year for which the computation is made.

Mr. President, when you get a net income of \$20,000 with these exemptions and exceptions you have a vast estate behind you.

Mr. CUMMINS. Mr. President—

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Iowa?

Mr. BRISTOW. I do.

Mr. CUMMINS. I will say in regard to what has just been mentioned by the Senator from Idaho I suppose we must assume that these deductions will finally receive the approval of a majority of the Senate. But I desire to say now that in so far as I am concerned I shall insist that some of them ought not to be made, and when we reach that part of the bill I intend to offer amendments which will change the bill in that respect. There are some of these deductions which obviously ought not to be made in ascertaining net incomes.

Mr. BORAH. Mr. President, the deductions will likely have the same place in the bill after we get through as what we find at present in the bill with reference to the rates.

Mr. CUMMINS. I am afraid that is true, but I did not want it to be assumed so far as I am concerned that I believe the committee reached the right conclusion with regard to these deductions.

Mr. BRISTOW. Mr. President, referring to the statement of the Senator from Idaho [Mr. BORAH], I agree with him. I do not think this tax is high enough. We tried yesterday to get an amendment that levied a higher tax than this. The amendment I offered yesterday imposed a tax of \$270 on a man with an income of \$20,000—I think a reasonable tax, certainly not excessive—and the amendment went up by steps until a man who has an income of more than \$100,000 was assessed a little over \$5,000 a year. I think that amendment should have been adopted, but it was defeated by the Senate by a very large majority.

The Senator from Wisconsin [Mr. LA FOLLETTE] offered an amendment here this morning that has been voted upon and which has been defeated. That rate was slightly less on the smaller incomes than that which I offered yesterday, and it has been defeated.

The argument made yesterday, and the only argument practically against my amendment, was that it would raise too much money. I do not think it would, but I meet that argument by offering an amendment which graduates it and makes the amount on an income of more than \$100,000 pay a larger per cent of the tax in proportion than the bill at present provides on these incomes. Where we collect, according to this estimate, approximately half on incomes of over \$100,000 this amendment of mine would levy a tax of 5 per cent, 1 per cent more than the committee proposes. On the smaller incomes it levies a less tax. It graduates it, I think, in a better way. A man whose income is a million dollars will pay a good deal more tax under this amendment than under the provision of the Senate committee, and I think he ought to pay more. It does not jump from \$50,000 to \$100,000, but it goes up \$10,000 at a step and adds one-half per cent for each step until we reach \$100,000.

Mr. GALLINGER. Will the Senator permit me?

Mr. BRISTOW. I yield to the Senator from New Hampshire.

Mr. GALLINGER. Mr. President, I voted against the amendment that the Senator from Kansas offered, as well as against the amendment the Senator from Wisconsin offered, for reasons entirely satisfactory to myself. It seems to me that the amendment now offered by the Senator from Kansas is a very wise one, provided he is satisfied it will raise as much revenue as the provision in the bill.

If I had my way about it, I would increase the rate for the lower salaries to three-fourths of 1 per cent in place of one-half of 1 per cent, making it quite certain that we would get more money from the large class of taxpayers who will pay on smaller amounts. But, however that may be, I am so impressed with the idea myself that the enormously rich men can well afford to pay a larger amount than is provided in the bill under consideration I have brought myself to the view that I can properly and safely vote for the amendment the Senator has proposed.

Mr. BRISTOW. Replying to the Senator from New Hampshire, I will say that the estimate of the committee is that on the small incomes of less than \$10,000 the collections will be only about \$6,000,000. Under the 1 per cent on incomes less than \$10,000 the committee estimates that at that rate the revenue will aggregate only about \$6,000,000.

Mr. GALLINGER. I had not looked at the report, and I am quite surprised to note that that is the estimate, because I had supposed it was very much larger.

Mr. BRISTOW. While the committee estimates that on the incomes from \$50,000 to \$100,000 there will be collected \$11,500,000, and between \$100,000 and \$250,000 they estimate \$11,650,000. So on the incomes from which we are to receive the large returns this amendment of mine increases the rate. I think it will really collect more money than the proposed law if any reliability whatever can be placed on these estimates.

Mr. LODGE. Mr. President, it has seemed to me in regard to the provisions in the bill, whether the House or Senate committee provision, the proportion is bad. If we are to have a graduated income tax it ought to be the first condition that it shall be properly proportioned. It seems to me, not only in the amendment but in the proposition of the House, it is ill proportioned, owing to the great gaps that are made and that it falls unduly hard upon the smaller or the more moderate incomes. I am speaking only of incomes subject to taxation. It seems to me also, as well as I can judge, that the amendment now offered by the Senator from Kansas will unquestionably raise more money than the one offered by the committee.

Mr. BRISTOW. I think it will.

Mr. LODGE. If we are to have a graduated income tax, this is much better proportioned and much better arranged than the others, and I propose to vote for it.

Mr. TOWNSEND. Mr. President, my belief is that whatever amendment we propose should be offered on the supposition that it ought to be enacted into law. I have not knowingly voted for anything that I did not believe would make the measure better.

I realize, of course, that amendments offered by the minority, whatever their merits, will be defeated.

Yesterday I opposed what seemed to me to be an effort to increase the revenues above what it was clearly understood would be required for meeting the expenses of the Government. The Senator from Wisconsin [Mr. LA FOLLETTE] offered an amendment to-day which proposed to reduce the revenues to a considerable extent, as I understand the figures, below those which would have been raised by the amendment offered by the Senator from Kansas [Mr. BRISTOW] yesterday, and I could vote for it. The present proposition reduces it still more, and brings the amount of the revenue to be derived practically to the same

relative amount as that proposed to be raised by the bill. Therefore I shall vote for it.

The thing that I would do if I had the authority just now is this: I would take the duties off from certain noncompetitive articles that are shipped into the United States, because I know that in every such instance the tax levied is paid by the consumer without producing any good or benefit to anybody in the United States. I would take off those duties and so reduce the revenues provided in the bill, and I would make up the deficit this would create in the estimate made by the committee by increasing the taxes which are to be imposed upon incomes.

I have no objection to increasing the rates provided they are equitably distributed. As I said yesterday, I should like to begin lower with a very small rate and increase it as the incomes increase. This plan of increasing the revenues from incomes while reducing in like amount the duties on noncompetitive articles would maintain the equilibrium of the bill and at the same time present a proposition for which all who are in favor of proper income rates could vote without any question as to whether they are doing right or wrong. With me, income taxes are imposed for no other purpose than that of raising money to meet the expenses of government economically administered.

I have had some talk with Senators this morning, and, as I understand, before this bill is disposed of a proposition will be presented to the Senate whereby we as Republicans can vote to remove what we regard as the unnecessary rates of duty and at the same time supply the amount of revenue thereby done away with by increasing the taxes on incomes.

Mr. BORAH. Mr. President, I did not understand the statement of the Senator from Michigan as to what proposition it was that was going to be submitted to the Senate.

Mr. TOWNSEND. A proposition to remove certain duties now imposed on noncompetitive articles to be shipped into the United States and increasing the tax on incomes, so as to produce enough revenue from that source to offset the revenue that would be destroyed by taking off such duties from noncompetitive articles.

Mr. BORAH. Do I understand that we are to have a voice in taking those duties off and a voice in fixing the rates or graduating rates on incomes?

Mr. TOWNSEND. There is no reason why it should not be done.

Mr. BORAH. There is no reason why it should not be done, except the question of votes.

Mr. TOWNSEND. But we will have as many votes for such a proposition as we will have for the amendment now pending. We will have more votes for it.

Mr. SMOOT. Mr. President, as nearly as I can figure, the amendment offered by the Senator from Kansas [Mr. Bristow] this morning will bring more revenue than the pending bill provides. I think also that the amount that has been estimated by the committee on incomes under \$20,000 will be greater than the estimate shows. The estimate of the committee is based upon the amount collected during war times, when the last income tax was in force in this country, and the committee has taken the volume of business of that day and compared it with the volume of business to-day.

Mr. WILLIAMS. That income tax was not repealed for some time after the war.

Mr. SMOOT. I repeat, the committee has taken the volume of business at the time the income tax was collected and compared it with the volume of business of to-day, and compared the amount that was collected at the time that we formerly had an income tax with the amount that we shall collect under this bill.

Mr. GALLINGER. Mr. President, can the Senator from Utah state or can the Senator from Mississippi state the exact date when that tax was repealed? I know it was some time after the war.

Mr. WILLIAMS. I am just trying to refresh my memory. It was quite a while after the war; I think about 1871.

Mr. GALLINGER. About 1871.

Mr. SMOOT. About 1870 or 1871, as I remember.

Mr. WILLIAMS. I thought it was about 1871. So the standard taken was not altogether a war standard. It was after the war as well as during the war.

Mr. SMOOT. That is true, but the income tax was collected until the time when the law imposing it was repealed. The estimate was made from the time that the income tax was first imposed until the time it was repealed.

I believe, Mr. President, that the amount of income in this country to-day is in greater proportion to the business that is done to-day than the amount of the income during the sixties was to the amount of business that was done at that time.

Mr. WILLIAMS. That tax was levied in 1862 and went into operation in 1863, I think.

Mr. SMOOT. So, Mr. President, there is no question in my mind but what the amount will be collected that is estimated in the handbook furnished us by the committee. It is my opinion that it will be a great deal more than that amount.

Mr. KENYON. Mr. President, I should like to ask the Senator from Kansas [Mr. Bristow] a question, to make the matter clear before voting. I understand under the amendment proposed by the Senator from Kansas incomes from \$20,000 to \$50,000 will bear a less tax than under the pending bill.

Mr. BRISTOW. Yes.

Mr. KENYON. What about those above that amount?

Mr. BRISTOW. Above \$60,000 they will bear a heavier tax.

Mr. KENYON. From \$40,000 to \$60,000 is the rate practically the same as in the pending bill?

Mr. BRISTOW. It is slightly less.

Mr. KENYON. Is it substantially less for incomes from \$20,000 to \$40,000?

Mr. BRISTOW. Under the amendment it is \$35 on less than \$10,000, and under the bill it is \$70; on \$20,000 it is \$135, while under the bill it is \$170. It then gradually goes up until it passes \$60,000; then, when it gets up to \$100,000, it is 25 per cent more than in the pending bill.

Mr. ROOT. Mr. President, has the Senator from Kansas noted the probable returns from each class as he has figured it out? He mentioned some I noticed a little while ago.

Mr. BRISTOW. I have undertaken to make a comparison with the estimates made by the committee. My own judgment is that those estimates are not of very great value, because I think experience is the only thing that can inform us.

The committee estimates that on incomes less than \$10,000 there will be collected approximately \$6,000,000; on incomes between \$10,000 and \$20,000 the committee estimates there will be collected approximately \$7,500,000. That is under the bill as reported by the committee. On incomes from \$20,000 to \$50,000 the committee estimates that there will be collected \$11,500,000, approximately; from \$50,000 to \$100,000 there will be collected \$11,500,000; from \$100,000 to \$250,000 there will be collected \$11,650,000; from \$250,000 to \$500,000 there will be collected \$6,743,000; from \$750,000 to \$1,000,000 there will be collected \$9,190,000; on over \$1,000,000 there will be collected \$5,826,000. Those are the committee estimates.

Now, I propose to increase the tax on the incomes that would make up about \$45,000,000 of the \$70,000,000. I decrease the tax on incomes that would make up \$25,000,000 of the \$70,000,000. On the larger incomes, as I have stated, the increase is 25 per cent over the pending bill and on the smaller incomes it is less than the rate in the pending bill.

Mr. SUTHERLAND. The estimate made by the committee, which has just been read by the Senator from Kansas, is that there will only be \$6,000,000 realized from the tax upon incomes under \$10,000, which would be considerably less than one-tenth of the entire amount realized. To me that is a manifest absurdity.

Outside of a few of the large cities of the country, such as New York, Boston, Chicago, and Philadelphia, I venture to say that there will be more than a fourth or a third of the amount derived under the income-tax provision of the bill from incomes under \$10,000. In my own State, for example, I do not suppose there is a man in the whole State who receives year after year an income of \$50,000, certainly not more than one or two; in fact, I doubt very much whether there are many who are receiving an income of more than \$30,000 a year.

The vast proportion of the people are receiving an income of less than \$10,000; so that in a State like Utah and the adjoining States of Wyoming, Idaho, Kansas, and Nebraska, great agricultural States, I would imagine that anywhere from a half to three-fourths of the revenue derived in those States would result from the tax upon incomes of less than \$10,000. To say, taking the country at large, that less than 10 per cent of the entire amount to be realized from the income tax will be derived from incomes of less than \$10,000 is absurd.

I think the amendment proposed by the Senator from Kansas will produce less, rather than more, income, and, while I intend to vote for it, I would much prefer that the Senator had begun at 1 per cent on incomes under \$10,000, and risen by successive steps until he finally reached the amount of 5½ per cent, instead of 5 per cent, on the larger incomes.

Mr. SMOOT. Mr. President, my opinion is that it will clearly raise more, for the reason that during the years 1862 to 1870 or 1871, when the income tax was in force, there were very few individuals, institutions, or corporations in this country that had an income of \$20,000 per annum, or even \$10,000 per annum, while to-day there are thousands of them. It is that particular bracket of the income-tax provision which, in my opinion, is going to increase greatly the revenue received,

Mr. SUTHERLAND. But this is not a tax on the income of corporations; the tax is on the stockholders of corporations.

Mr. SMOOT. Yes; but the income of a corporation goes to the stockholders, so, of course, will amount to exactly the same thing in the end. I am only calling attention to the matter. The money made by these institutions goes to the stockholders, and there is no doubt that in this country to-day there are hundreds of thousands of well-to-do men, whereas in 1865, 1866, and during the years immediately following the Civil War there were but few of them. I believe that the committee's estimate on the first bracket is unreasonably low, and I shall be greatly surprised if instead of \$6,000,000 under that bracket the amount collected will not be twenty or twenty-five million dollars.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kansas.

Mr. BRISTOW. I should like the yeas and nays on the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BANKHEAD (when his name was called). I transfer my pair with the junior Senator from West Virginia [Mr. GORE] to the senior Senator from Louisiana [Mr. THORNTON], and will vote. I vote "nay."

Mr. DILLINGHAM (when his name was called). I have a pair upon this question with the Senator from Maryland [Mr. SMITH]. If he were present I should vote "yea." In his absence I withhold my vote.

Mr. GALLINGER (when his name was called). I transfer my pair with the junior Senator from New York [Mr. O'GORMAN] to the Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. TOWNSEND (when the name of Mr. JONES was called). The senior Senator from Washington [Mr. JONES] has been called from the Chamber on official business. If he were here, I am instructed to say that he would vote "yea."

Mr. KERN (when his name was called). I transfer my pair with the Senator from Kentucky [Mr. BRADLEY] to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. LEWIS (when his name was called). I am paired with the Senator from North Dakota [Mr. GRONNA].

Mr. McCUMBER (when his name was called). I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS]. I will transfer that pair to the senior Senator from Washington [Mr. JONES] and vote "yea."

Mr. REED (when his name was called). I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Oklahoma [Mr. GORE] and vote "nay."

Mr. THOMAS (when his name was called). I transfer my pair with the Senator from Ohio [Mr. BURTON] to the junior Senator from Oregon [Mr. LANE] and vote "nay."

Mr. TILLMAN (when his name was called). I have a general pair with the Senator from Wisconsin [Mr. STEPHENSON] and therefore withhold my vote.

The roll call was concluded.

Mr. SUTHERLAND (after having voted in the affirmative). I have a pair with the Senator from Arkansas [Mr. CLARKE]. I voted without reflection. Observing that pair, I withdraw my vote.

Mr. STONE. I have a general pair with the Senator from Wyoming [Mr. CLARK]. I transfer that pair on this vote to the Senator from Oklahoma [Mr. OWEN] and vote "nay."

Mr. FLETCHER. I have a pair with the Senator from Wyoming [Mr. WARREN]. I transfer that pair to the junior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. CHILTON. I have a general pair with the Senator from Maryland [Mr. JACKSON] and therefore withhold my vote. If permitted to vote, I should vote "nay."

The result was announced—yeas 29, nays 36, as follows:

YEAS—29.

Borah	Fall	Norris	Smoot
Brady	Gallinger	Oliver	Sterling
Brandegee	Kenyon	Page	Townsend
Bristow	La Follette	Penrose	Weeks
Catron	Lodge	Perkins	Works
Colt	McCumber	Polindexter	
Crawford	McLean	Root	
Cummins	Nelson	Sherman	

NAYS—36.

Ashurst	Johnson	Reed	Smith, Ga.
Bacon	Kern	Robinson	Smith, S. C.
Bankhead	Lea	Saulsbury	Stone
Bryan	Martin, Va.	Shafroth	Swanson
Chamberlain	Martine, N. J.	Sheppard	Thomas
Fletcher	Myers	Shields	Thompson
Hollis	Overman	Shively	Vardaman
Hughes	Pomerene	Simmons	Walsh
James	Ransdell	Smith, Ariz.	Williams

NOT VOTING—30.

Bradley	Dillingham	Lane	Smith, Mich.
Burleigh	du Pont	Lewis	Stephenson
Burton	Goff	Lipitt	Sutherland
Chilton	Gore	Newlands	Thornton
Clapp	Gronna	O'Gorman	Tillman
Clark, Wyo.	Hitchcock	Owen	Warren
Clarke, Ark.	Jackson	Pittman	
Culberson	Jones	Smith, Md.	

So Mr. BRISTOW's amendment was rejected.

Mr. McCUMBER. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 165, line 6, after the word "tax," it is proposed to strike out all the words down to the word "All," in line 3, page 166, and to insert in lieu thereof the following:

Where such income amounts to \$1,000 and less than \$5,000 the rate of taxation shall be one-tenth of 1 per cent; where such income amounts to \$5,000 and less than \$10,000 the rate of taxation shall be two-tenths of 1 per cent; where such income amounts to \$10,000 and less than \$20,000 the rate of taxation shall be three-tenths of 1 per cent; where such income amounts to \$20,000 and less than \$30,000 the rate of taxation shall be five-tenths of 1 per cent; where such income amounts to \$30,000 and less than \$50,000 the rate of taxation shall be seven and one-half tenths of 1 per cent; where such income amounts to \$50,000 and less than \$100,000 the rate of taxation shall be 1 per cent; where such income amounts to \$100,000 and less than \$500,000 the rate of taxation shall be 2 per cent; where such income amounts to \$500,000 and less than \$1,000,000 the rate of taxation shall be 3½ per cent; where such income amounts to \$1,000,000 and less than \$10,000,000 the rate of taxation shall be 5 per cent; where such income amounts to \$10,000,000 and over the rate of taxation shall be 7½ per cent; except as hereinafter provided. And a like tax shall be assessed, levied, collected, and paid annually upon the entire net income from all property owned and of every business, trade, or profession carried on in the United States by persons residing elsewhere.

Mr. McCUMBER. Mr. President, it is quite evident that no two Senators will agree upon the number of steps in the sliding scale in this bill, and it is equally true that no two of them will agree upon the ratio of rate for each particular step.

I have an abiding conviction, based upon my idea of the rights and obligations of citizenship, which is entirely out of harmony with the provisions of the bill. I regard it as at least a species of tyranny when any one person or number of persons have authority to impose a tax upon others in the payment of which tax they are to take no part. I believe every American citizen, according to his means, should pay his proper proportion of the taxes necessary to run the Government.

I appreciate the fact that if we made the steps too low the cost of collection in some instances would be considerably greater than the amount we would receive from the tax. Therefore I recognize the necessity of several steps in an ascending scale. But if I have an income of \$2,900 a year and the Senator at my right has an income of \$20,000 a year, I can hardly see that I have an inherent right to vote a certain rate of tax upon him while I will not be called upon for one cent. I think I ought to pay my proportion of it according to my ability.

Therefore in formulating this amendment I have taken a much lower sum for the beginning, namely, \$1,000, the same amount of income that is adopted as the first rung in the ladder in the legislation of the State of Wisconsin.

I seek by this amendment to accomplish another thing, which I think very proper to be done. In the first instance, I make the rates very much lower upon the small incomes and very much higher upon what we might call the excessively great incomes. I obtained my table from a source entirely independent of the report of the committee. The table which I purpose to introduce as a part of my remarks I obtained from the department.

Let me make a statement to show just what the result of this amendment would be.

There are about 5,000,000 persons in the United States who have incomes of from \$1,000 to \$5,000 per annum. I make the rate of taxation for those persons only 1 mill, which would produce \$15,000,000.

There are 200,000 persons in the United States who have annual incomes of from \$5,000 to \$10,000. I make the rate of taxation upon those incomes in this amendment only 2 mills, which would bring a revenue of about \$3,000,000.

There are 100,000 persons who have incomes of from \$10,000 to \$20,000. I make the rate in that case 3 mills, which would give us a revenue of \$4,500,000.

There are about 75,000 persons who have incomes ranging from \$20,000 to \$30,000. I make the rate 5 mills on that class of incomes, which would realize \$9,375,000.

There are about 21,000 persons who have incomes of from \$30,000 to \$50,000. I make the rate 7½ mills upon those incomes, which would realize \$6,320,000.

There are about 10,000 persons who have incomes of from \$50,000 to \$100,000. I make the rate 1 per cent upon those incomes, which would produce \$7,500,000.

There are about 2,000 persons who have incomes of from \$100,000 to \$500,000. With a rate of 2 per cent we would realize upon those incomes revenue amounting to \$12,000,000.

There are about 500 persons in the United States who have incomes ranging from \$500,000 to \$1,000,000. With a 3½ per cent rate upon those incomes we would realize \$13,125,000.

There are about 100 persons in the United States who have incomes ranging from \$1,000,000 to \$10,000,000 a year. With a 5 per cent tax upon those incomes we would realize \$2,500,000.

Finally, there are about 20 persons in the United States who have incomes of \$10,000,000 and over. With a 7½ per cent tax on those incomes we would realize \$1,500,000.

This would give us, in the aggregate, \$74,820,000. It would realize something more than would be realized under the bill as it is proposed, and the burden would be very much lighter, indeed, upon those with the smaller incomes and very much heavier upon those with the very large incomes.

Mr. WILLIAMS. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Mississippi?

Mr. McCUMBER. I do.

Mr. WILLIAMS. The Senator has said that his amendment would produce a revenue of \$74,000,000, which he states would be larger than the revenue which it is estimated the provision of the bill will produce. He is mistaken as to that. He is making an estimate per annum, and he is comparing it with an estimate for 10 months in the case of the provision of the bill.

Mr. McCUMBER. It is estimated that this amendment would produce about \$75,000,000; so upon a 10 months' basis it would produce about the amount which would be produced by the bill.

I realize the fact that no amendment to the bill can possibly be adopted, and I do not want to take up the time of the Senate in a call of the roll upon my amendment; but I will submit it, and will ask that the table which I send to the desk may be made part of my remarks.

The PRESIDING OFFICER. In the absence of objection, it will be so ordered.

The matter referred to is as follows:

Amount of income.	Number of taxable persons.	Rate of tax.	Amount to be realized.
		<i>Per ct.</i>	
\$1,000 to \$5,000.....	5,000,000	0.001	\$15,000,000
\$5,000 to \$10,000.....	200,000	.002	3,000,000
\$10,000 to \$20,000.....	100,000	.003	4,500,000
\$20,000 to \$30,000.....	75,000	.005	9,375,000
\$30,000 to \$50,000.....	21,000	.007½	6,320,000
\$50,000 to \$100,000.....	10,000	.01	7,500,000
\$100,000 to \$500,000.....	2,000	.02	12,000,000
\$500,000 to \$1,000,000.....	500	.03½	13,125,000
\$1,000,000 to \$10,000,000.....	100	.05	2,500,000
\$10,000,000 and over.....	20	.07½	1,500,000
Total.....			74,820,000

Mr. BORAH. Mr. President, I understand that the Senator who offers the amendment does not propose to have a roll call upon it; therefore I wish to say just a word on the subject.

As I understand the amendment, it reduces the exemption in the bill from \$3,000 down to \$1,000. I desire to go on record as being opposed to the amendment. As I have discussed the matter heretofore, I shall not state at length why I am opposed to it. Suffice it to say that in this country, in my opinion, a man who has an income of no more than \$1,000 has paid his proportion of taxes until you reach a sum considerably above \$1,000.

I know that we contend upon this side of the Chamber that a protective tariff does not visit the consumer with the tax. That is not always or wholly true. In addition to that, however, we have our internal taxes or excise taxes; in addition to that the tax which is now levied upon corporations, and which is largely passed over to the consumer; and in addition to that taxes are covered by rents and prices and passed over to the consumer.

Suppose a man with a family of three or four children, upon whom devolves the obligation of educating and clothing them, finds at the end of the year that he has \$1,000 out of which to send two or three of his girls or two or three of his boys to college. In what position is he to meet the situation—to train them for citizenship and to prepare them for the duties of life? So far as I am concerned, after men of that class have paid the tax which they must pay in this country by our indirect method, I am in favor of relieving them from any further pay-

ment until they can fully discharge their duties to their families and meet the obligations of citizenship.

I might extend these remarks, but I wish to go on record against the amendment. There is an inevitable and unconquerable disposition in our taxing system to hunt the low man, and it always gets him at last.

Mr. McCUMBER. I think it is worth the one dollar that a man with a net income of a thousand dollars would have to pay, to become and remain in every respect a full citizen of the United States, shouldering his responsibilities with his duties. I think the man who has an income of \$5,000 a year can well afford to pay \$5 of that and become a part of the taxable resources of the country. I do not think it is going to injure him in any way. But I do believe there ought not to be one class of citizens that is taxed and another class that is free from taxation.

Mr. BORAH. Mr. President, there is not one class of citizens whom we tax and another class whom we relieve from taxation. So long as we have the mixed system of taxation which we have in this country that can not possibly be true. There is no man in this country outside of an insane asylum or a poor-house or prison who does not pay taxes. I do not care what his vocation may be or how humble he may be, he pays a tax, and in a large number of instances he pays 10, 15, or 20 per cent of his income as a tax. So long as we have the mixed system of indirect taxation and the direct tax, the excise tax, there is no possibility of any man escaping the responsibility of taxation in this country. Especially is there no possibility of the man of limited means escaping. Not only does he pay taxes on consumption, but if he has a little property it is all in sight and never escapes.

Mr. McCUMBER. There is not any question about one thing, that he has a voice in fixing a tax which he pays no part of, and I do not think that that is in conformity with our general ideas of the rights and obligations of citizenship.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from North Dakota [Mr. McCUMBER].

The amendment was rejected.

Mr. POINDEXTER. I offer an amendment which I ask may be read.

The PRESIDING OFFICER. The amendment will be read.

The SECRETARY. On page 166, line 3, after "\$100,000," insert: "and 10 per cent per annum upon the amount by which the total net income exceeds \$500,000 and does not exceed \$1,000,000, and 20 per cent per annum upon the amount by which the total net income exceeds \$1,000,000."

Mr. POINDEXTER. Mr. President, it seems to me that the principal vice of the bill, as far as this phase which we are now discussing is concerned, is that the principle of graduation upon which the income tax is based stops before it reaches the excessive fortunes. In other words, an income of \$500,000 or of \$1,000,000 would be required to pay the same income tax as that of \$100,000.

The objection which I have to the amendment just introduced by the Senator from North Dakota [Mr. McCUMBER], and which caused me to vote against it, was not only that which was stated by the Senator from Idaho [Mr. BORAH], that it reduced the exemption to a lower amount than in my judgment it should be reduced to, but also because it lowered the rate of taxation upon incomes—which the Senator from North Dakota seemed to refer to as small incomes, but which I regard as large ones—ranging from \$100,000 to \$500,000 a year.

Mr. President, the incomes in this country over \$500,000 per annum and over \$1,000,000 per annum are not the result of the accumulations of steady industry on the part of their possessors. In almost every case the incomes are upon fortunes which have been acquired by special privilege of one kind or another. Of these special privileges one of the most far-reaching, in my judgment, in bringing about such accumulations has been a discrimination and special favor in transportation rates, by which the public utility of transportation has been used to benefit certain industries and certain individuals in preference to the general public, with the result that in many instances private monopolies have resulted.

I will mention one other special privilege—it might be called such—which has been one of the most potent causes in making possible the excessive incomes I refer to. In passing I will say that I have not so much objection myself to the existence in this country of such incomes as to the manner in which they have been acquired. I do think, however, that a just system of taxation should proceed with its graduation scale to a point where there is a difference made between an income ranging around \$100,000 and one ranging around \$1,000,000 a year.

As I started to say, another one of the opportunities which have enabled their possessors to obtain such incomes has been the acquirement, through special favors, of the natural resources of the country—gifts of lands; sometimes the acquirement of vast areas of public land or of valuable elements in the public land by illegitimate means; sometimes by what might be justly denominated as fraudulent means; sometimes through a careless policy of legislation in former years, when resources were more abundant in comparison to the demands upon them. Some of these incomes were acquired in a perfectly legitimate way, but without effort and without labor by the owners' good fortune in coming into the possession of great mines of precious metals.

It seems to me that a fortune acquired in such a way, not only on account of its size but on account of the easy and sometimes the illegitimate manner in which it has been acquired, can very justly be called upon to pay a much larger proportion of the burdens of government than other fortunes.

Mr. President, the objection which was made by the Senator from Mississippi [Mr. WILLIAMS] to all these propositions to increase the tax on the largest incomes I do not think offers any obstacle to the adoption of this or similar amendments. His objection is that no calculation has been made as to the amount of revenue which would be received, and that we ought not to levy this tax until we know the amount of revenue and whether or not we need the revenue.

It is impossible, in the first place, Mr. President, to know from the information which we have—and I doubt whether it could be obtained—the amount of revenue which would be received by the Government from an increased income tax upon the excess of incomes over \$1,000,000. I do not think it is material. Whatever amount of revenue may be derived from that source will be based upon a just principle of taxation—and it is always within the power of the Government to remit from its revenues by legislation, which can be enacted at any time, if we are receiving a surplus, revenues which are paid upon the necessities of life, revenues which are a burden upon people who have a harder struggle for existence than those who are receiving an income of \$1,000,000.

We could remit some of those taxes—which are nothing at all but taxes, especially according to the theory of the Senator from Mississippi, but which are called revenue duties—upon the necessities of life. There is always an opportunity to do that. As some one has already said this morning, we can not know to what extent we ought to do it to offset the effect of these amendments until the amendments have been put into operation and we have learned by experience.

This amendment ought to be adopted, because there is no danger that the Government will be injured by any revenue, whatever it may be, that will be received from it, and because whatever revenue is received is received upon a just principle of taxation and from property which can most easily afford to pay it, and which, upon the other hand, requires and receives more of the care and the expense of government than other portions of the national wealth.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from Washington [Mr. POINDEXTER].

Mr. CRAWFORD. I ask for a reading of the amendment.

The PRESIDING OFFICER. The amendment will be again read.

The SECRETARY. On page 166, line 3, after "\$100,000," insert the following:

And 10 per cent per annum upon the amount by which the total net income exceeds \$500,000, and does not exceed \$1,000,000, and 20 per cent per annum upon the amount by which the total net income exceeds \$1,000,000.

Mr. POINDEXTER. Mr. President, I make the point of no quorum.

The PRESIDING OFFICER. The Secretary will call the roll. The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hughes	Page	Smith, Ga.
Bacon	James	Penrose	Smith, S. C.
Bankhead	Johnson	Perkins	Smoot
Brady	Kenyon	Poinexter	Sterling
Brandeggee	Kern	Pomerene	Stone
Bryan	La Follette	Ransdell	Sutherland
Catron	Lea	Reed	Swanson
Chamberlain	Lewis	Robinson	Thomas
Chilton	Lodge	Saulsbury	Thompson
Clarke, Ark.	McCumber	Shafroth	Townsend
Crawford	Martin, Va.	Sheppard	Vardaman
Fletcher	Martine, N. J.	Sherman	Walsh
Gallinger	Myers	Shields	Weeks
Gore	Nelson	Shively	Williams
Hitchcock	Norris	Simmons	
Hollis	Oliver	Smith, Ariz.	

Mr. TOWNSEND. The senior Senator from Washington [Mr. JONES] has been called from the Senate on official business.

The PRESIDING OFFICER. Sixty-two Senators have answered to their names. A quorum is present.

Mr. POINDEXTER. I ask for the yeas and nays on agreeing to the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. CHILTON (when his name was called). I make the same announcement as to my pair that I made on the former vote.

Mr. GALLINGER (when his name was called). I transfer my pair with the junior Senator from New York [Mr. O'GORMAN] to the junior Senator from Maine [Mr. BURLEIGH] and vote "nay."

Mr. KERN (when his name was called). On account of my pair with the Senator from Kentucky [Mr. BRADLEY] I withhold my vote.

Mr. LEA (when his name was called). I am paired with the senior Senator from Rhode Island [Mr. LIPPITT]. If I were at liberty to vote, I would vote "nay."

Mr. LEWIS (when his name was called). I again announce my pair with the senior Senator from North Dakota [Mr. McCUMBER].

Mr. REED (when his name was called). I wish to announce my pair with the Senator from Michigan [Mr. SMITH]. I therefore withhold my vote.

Mr. SAULSBURY (when his name was called). I have a general pair with the junior Senator from Rhode Island [Mr. COLE]. I therefore withhold my vote. If I were at liberty to vote, I would vote "nay."

Mr. THOMAS (when his name was called). I transfer my pair with the senior Senator from Ohio [Mr. BURTON] to the junior Senator from Oregon [Mr. LANE] and vote "nay."

Mr. TILLMAN (when his name was called). I again announce my pair with the Senator from Wisconsin [Mr. STEPHENSON], and withhold my vote.

The roll call was concluded.

Mr. CHAMBERLAIN (after having voted in the negative). I have a pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence I withdraw my vote.

Mr. BANKHEAD. I transfer my pair with the Senator from West Virginia [Mr. GOFF] to the Senator from Louisiana [Mr. THORNTON] and vote "nay." I desire the announcement of this transfer to stand for all votes to-day.

Mr. BACON (after having voted in the negative). I inquire whether the senior Senator from Minnesota [Mr. NELSON] has voted?

The PRESIDING OFFICER. He has not.

Mr. BACON. Then I withdraw my vote, as I have a general pair with that Senator.

Mr. SAULSBURY. I transfer my pair with the junior Senator from Rhode Island [Mr. COLE] to the Senator from Oklahoma [Mr. OWEN] and vote. I vote "nay."

Mr. FLETCHER. I transfer my pair with the senior Senator from Wyoming [Mr. WARREN] to the junior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. CLARKE of Arkansas (after having voted in the negative). I observe that the junior Senator from Utah [Mr. SUTHERLAND] has not voted. I therefore withdraw my vote.

The result was announced—yeas 12, nays 41, as follows:

YEAS—12.			
Borah	Clapp	Kenyon	Perkins
Brady	Crawford	La Follette	Poinexter
Bristow	Cummins	Norris	Sterling
NAYS—41.			
Ashurst	Hughes	Ransdell	Stone
Bankhead	James	Robinson	Swanson
Brandeggee	Johnson	Saulsbury	Thomas
Bryan	Lodge	Shafroth	Thompson
Catron	Martin, Va.	Sheppard	Townsend
Clark, Wyo.	Martine, N. J.	Shields	Vardaman
Fletcher	Myers	Shively	Walsh
Gallinger	Overman	Simmons	Williams
Gore	Page	Smith, Ariz.	
Hitchcock	Penrose	Smith, Ga.	
Hollis	Pomerene	Smith, S. C.	
NOT VOTING—42.			
Bacon	Fall	McLean	Smith, Mich.
Bradley	Goff	Nelson	Smoot
Burleigh	Gronna	Newlands	Stephenson
Burton	Jackson	O'Gorman	Sutherland
Chamberlain	Jones	Oliver	Thornton
Chilton	Kern	Owen	Tillman
Clarke, Ark.	Lane	Pittman	Warren
Cole	Lea	Reed	Weeks
Culliberson	Lewis	Root	Works
Dillingham	Lippitt	Sherman	
du Pont	McCumber	Smith, Md.	

So Mr. POINDEXTER'S amendment was rejected.

Mr. BRANDEGEE. Mr. President, I have made no remarks upon these various amendments to change the provisions of the income tax as found in the bill. I desire to state very briefly the reason why I have voted against most of the amendments, and I shall probably continue to do so. This is a bill entitled "An act to reduce tariff duties and to provide revenue for the Government." These amendments have had no such proper consideration, in my opinion, as would justify me in voting for any one of them. It may be that one or another of them would provide a more equitable or more satisfactory system of taxing the incomes of both corporations and individuals, but I do not think in the passage of a tariff bill we should attempt to utilize it as a vehicle to float through any propositions to tax corporations out of existence or to penalize the rich or to reduce swollen fortunes or to accomplish any other collateral purpose, no matter how desirable.

I am perfectly satisfied that if it shall be the settled conviction of the majority of the people of the country that the tax as provided by the committee should be changed, there is sufficient time in the future to overhaul entirely the proposed income tax in the light of the way the present provisions may operate and with much better satisfaction both to us and to the country.

The amendment just offered, which proposed to tax incomes over a million dollars 20 per cent, I could not possibly vote for. I have heard of collecting tithes, but I have never heard of collecting fifths of the incomes of people. Without going into or criticizing the details of the various amendments I simply think it is better to try the plan as proposed by the committee in its general features, and then having established the principle of an income tax, go about amending it as the necessity of the occasion in the future may warrant.

Mr. CRAWFORD. Mr. President, yesterday evening before the Senate adjourned I offered an amendment the purpose of which was to distinguish between what in England are called earned incomes and unearned incomes. That amendment was not acted upon. I am not going to press it at this time, but in connection with it I want to call attention to the report made in the English Parliament in 1907 after a very thorough investigation of the whole subject.

England has had an income tax, as I understand it, for three-quarters of a century, and from time to time, as the system has been evolved, they have improved it, enlarged it, and extended it. Within the last two or three years, under the ministry in which Lloyd George has been so active, they have thoroughly overhauled it and extended its provisions in many ways. In this report in 1907, which was an exhaustive one, after a thorough investigation, they find that this distinction should be made:

Differentiation between earned and unearned income.

They find that it is practicable to observe that differentiation in the income-tax system. I want to put into the Record what Mr. Asquith said in commenting upon it, because it is so well said and is so brief and simple, and it relates to a matter of the utmost importance here. In discussing it he gives this example. He says:

Comparing two individuals, one "who derives, we will say, £1,000 a year from a perfectly safe investment in the funds perhaps accumulated and left to him by his father, and, on the other hand, a man making the same nominal sum by personal labor in the pursuit of some arduous and perhaps precarious profession, or some form of business," to say that those two people are, from the point of view of the state, to be taxed in the same way is, to my mind, flying in the face of justice and common sense."

I believe that that simple statement finds a response in the judgment of every man. Why not in this bill and in establishing this system here start right upon that question? Here is the question of making property, capital, and investment contribute its share of taxes; on the other hand, here is the question of how far shall we go in putting a tax upon energy, industry, and service given to society by men who are engaged in practicing professions or in following other useful vocations in life. We are putting them all together, and making one levy, one rate, upon them all; in other words, we are putting a tax upon personal service rendered to the home, the family, and the community and which earns an annual income. The income may be precarious and vary from one year to another and end when the life of the person ends who is earning it. We are putting that class of incomes in the same class with rents from great structures, inherited, perhaps, by some child of fortune, that are a lifeless species of property. England differentiates between these classes of income. Why should not we?

Mr. GALLINGER. Mr. President—

The PRESIDING OFFICER (Mr. LEA in the chair). Does the Senator from South Dakota yield to the Senator from New Hampshire?

Mr. CRAWFORD. I do.

Mr. GALLINGER. This is an interesting phase of the discussion, Mr. President, and I desire to ask the Senator from South Dakota how it would work. Supposing a man were in receipt of \$3,000 from investments which his father had made possible and he likewise was in receipt of \$3,000 from the practice of his profession, would there be a differentiation in that?

Mr. CRAWFORD. Oh, certainly. The distinction is made between the earnings from a man's professional services and the earnings from his investments. They have all that worked out in England.

Mr. GALLINGER. Would he be exempt on the \$3,000 which he earns from professional services under those circumstances?

Mr. CRAWFORD. I am not saying that. I think the fault in the amendment which I offered yesterday was that it went too far in making exemptions. In England they are not exempt above a certain rate, but they discriminate in their favor. So, if the Senator will permit me, I shall offer a resolution which I ask to have read and ask to have it considered in connection with my amendment, which I admit is faulty in that respect. I should like to have the Senate consider both the amendment and the resolution together and take such action as it may think best.

The PRESIDING OFFICER. The Secretary will read the resolution proposed by the Senator from South Dakota.

The resolution (S. Res. 177) was read, as follows:

Resolved, That the Committee on Finance be directed to investigate and ascertain the difference in character between income immediately and directly derived by an individual from the carrying on of exercise by him of his profession, trade, and vocation, and income derived from property or investment of capital, and to report an amendment which will make a just discrimination in the rate of levy in favor of incomes immediately and directly derived from the exercise of a profession, trade, or calling, as compared with income derived from property and capital investment.

Mr. CRAWFORD. Mr. President, of course I am not dogmatic enough to undertake here to say what this difference should be and what this rate should be; but I am offering this resolution so that it may come before the Senate for the purpose of having this question, which I think has fundamental justice at the bottom of it, receive the consideration that I think it should receive here and have the investigation to which I think it is entitled. Therefore I submit the resolution.

The PRESIDING OFFICER. The resolution will be printed and lie on the table.

Mr. WILLIAMS. Mr. President, do I understand that the resolution is to lie on the table?

The PRESIDING OFFICER. The Chair understood that that was the request of the Senator from South Dakota.

Mr. CRAWFORD. No; I did not ask to have the resolution lie on the table; I asked to have it take the usual course. I presume, if objection is made to it, it will have to be printed and go over.

The PRESIDING OFFICER. Does the Senator from South Dakota make a request for unanimous consent for the present consideration of the resolution?

Mr. CRAWFORD. Yes; I ask unanimous consent for the present consideration of the resolution.

The PRESIDING OFFICER. The Senator from South Dakota asks unanimous consent for the present consideration of the resolution which has just been read. Is there objection?

Mr. WILLIAMS. Yes; I object, Mr. President.

The PRESIDING OFFICER. The Senator from Mississippi objects, and the resolution will be printed and go over.

Mr. WILLIAMS. Mr. President, I want to say a few words in this connection, so as to explain why I have objected. In the first place, I do not see any necessity of any investigation to determine an abstract question, which every man can determine for himself, as to whether this distinction ought or ought not to be made. So far as I am personally concerned, I am opposed to it. Of course, it would be a very nice thing for the Members of the two Houses of Congress to make that distinction, as about nine-tenths of them are lawyers and get their incomes from their profession, but I do not see why a man who is in a profession should have his income exempt any more than a man who is carrying on a farm or a factory.

The other day some one said something about some surgeons who made an immense amount of money each year by their great skill and genius, who lived like princes and saved nothing.

Mr. CRAWFORD. Mr. President, will the Senator permit me to interrupt him?

The PRESIDING OFFICER. Does the Senator from Mississippi yield to the Senator from South Dakota?

Mr. WILLIAMS. Yes.

Mr. CRAWFORD. The Senator is assuming that the amendment makes a difference between professional men and men fol-

lowing a trade or men cultivating farms. It makes none whatever. It includes professions, trades, and vocations—all three.

Mr. WILLIAMS. Then, whom would you leave to be taxed?

Mr. CRAWFORD. Property, capital, investments; and not human exertion and human energy and human service. I do not say they should be exempt. I have said that my amendment went too far in that respect, and I say that there should be a differentiation in favor of energy and service of the man who is doing something and where the earning depends entirely upon his personal exertions—that there should be a differentiation in favor of that source of income as against the income derived from capital and property.

Mr. WILLIAMS. The Senator the other day referred, as an illustration, to some brilliant surgeon or some one who made an immense income every year, but lived like a prince and had nothing left. There might be another surgeon who made the same amount of income who would have better sense and instead of living like a prince might invest some of the income in land or in city property or in bonds or in stocks. So the effect of it would be to tax a man who was thrifty, industrious, frugal, and saving and exempt the fellow who spent all his income and never invested anything. I do not see for the life of me why any man who earns \$50,000 a year or \$20,000 or \$10,000 as a great surgeon or as a great lawyer should not thank God for the possession of that much and be willing to contribute of that a small amount for the support of the Government. You are taxing men in proportion to their ability to pay, not in proportion to their ability to save or to invest.

Mr. CRAWFORD. Mr. President, that is simply wiping out the discrimination—and it is one of the subjects of actual, active, growing interest in this country—between the burden that should be imposed upon property, upon capital, and that which should be imposed upon the character of service that is so closely linked with humanity that you can not separate it. You can not judge a thing by stating an extreme case. After three-fourths of a century and at a time when the most popular ministry that was ever in control of the Government of England, the one which has reached out and reached into the hearts of the masses to a greater extent than ever before, led by Lloyd George, makes this discrimination; the Senator from Mississippi thinks it is wrong in principle. I believe it is right.

Mr. WILLIAMS. Money is as much property as is anything else, and when a man earns \$20,000 in money during a year he has got that much property.

Mr. BRANDEGEE. Mr. President, I realize that, as the Senator from South Dakota [Mr. CRAWFORD] has stated, the amendment which the Senator submitted yesterday is not strictly the pending amendment, I assume, for action at the present time.

Mr. CRAWFORD. No. My statement was that I had offered a resolution. I do not know whether the Senator was here at the time, but the resolution has been read and laid over.

Mr. BRANDEGEE. I was here.

Mr. CRAWFORD. The two are simply related to this subject, and so I thought it would not be improper for the Senate to say whether they should not direct the Committee on Finance to consider the questions there suggested and report to the Senate whether such a discrimination in favor of vocational income as against property income should not be observed in this bill.

I realize that the amendment which I hastily drew yesterday, where the exemption was made broader than it ought to be, is imperfect; I was conscious of the fact that it was imperfect at the time, but it was introduced to get the subject before the Senate. Now, as it is made a little more appropriate for general consideration by the resolution which I have introduced, I prefer to have the two considered together.

Mr. BRANDEGEE. I do not at all, as I think, misunderstand the situation. I understand it exactly as the Senator from South Dakota has stated it. In conversation with the Senator yesterday afternoon I stated that I thought the amendment was not as carefully drawn as the Senator himself would like to have it, and he said that it was hastily prepared and simply designed to bring the general subject matter to the attention of the Senate, which has been accomplished.

Now, I will read the amendment in order that there may be in the Record, in connection with the remarks upon this subject, the text of the matter we are discussing. The Senator's amendment reads:

Provided further, That in computing net income under subdivision 1 of paragraph A of this section there shall also be deducted the amount, if any, which is claimed and proved by any individual to have been immediately and directly derived from the personal exercise by him of a profession, trade, or vocation.

I think there is a good deal to be said in favor of the contention of the Senator—which is also sustained by the works of British origin upon the subject to which he has referred—that

a great income or any income derived entirely from the efforts of those who have gone before—which cost the present beneficiary no effort or labor of any kind—should bear a larger proportion of the burden of taxation than the income derived from the personal effort of the beneficiary in possession of the income.

The amendment of the Senator, of course, as I think he will recognize, and as I am firmly convinced, would, if passed as drawn, exempt absolutely all income derived from the effort of anybody. I mean to put it just that broad, because the amendment provides that there shall be deducted from the amount anything which is proved by the individual "to have been immediately and directly derived from the personal exercise by him of a profession, trade, or vocation."

Mr. WILLIAMS. Mr. President, will the Senator pardon a question?

The PRESIDING OFFICER. Does the Senator from Connecticut yield to the Senator from Mississippi?

Mr. BRANDEGEE. Certainly.

Mr. WILLIAMS. A thought occurs to me which makes me ask the question. Take my salary as a Senator, or the salary of the Senator from Connecticut. Would or would not that fall within this description? Would that be derived from a profession, or trade, or vocation, or would it be connected with what the Senator calls "dead property," or where would it come in?

Mr. BRANDEGEE. I think there is a twilight zone about such a question. It would depend, perhaps, upon whether the Senator would consider himself to be a professional politician or a statesman; I do not know.

Mr. WILLIAMS. Really, I consider myself a statesman; but that is an income derived in the manner described in the amendment of the Senator from South Dakota, and it would be exempt under that very amendment.

Mr. CRAWFORD. Mr. President, will the Senator permit me?

Mr. BRANDEGEE. Certainly.

Mr. CRAWFORD. That language is identically the same as the language in the income-tax law of Great Britain, except that, based upon it, they levy a lower rate on such incomes instead of exempting them. The amendment which I drew, instead of differentiating in favor of a lower rate, I admit went too far in exempting them; but the language "claimed and proved by any individual to have been immediately and directly derived from the personal exercise by him of a profession, trade, or vocation" is literally copied from the clause in the English statute, as it appears in Prof. Seligman's book.

Mr. WILLIAMS. That does not help it, so far as this question is concerned.

Mr. CRAWFORD. It helps it in this way, that it is being successfully operated in England, and Prof. Seligman says in his conclusion that after years of evolution the British system is the most perfect income-tax system in the world, and that while in Gladstone's time, a generation ago, it created hostility and bitterness, now it is accepted everywhere and will remain for all time.

Mr. WILLIAMS. Whether it is the English law and whether or not the English law is a good law is not relevant to this question. The question is whether we want to start a system of taxation in this country that will exempt the incomes of lawyers, doctors, politicians, and others—all incomes that come directly from personal services, whether for the Government or for somebody else.

Mr. CRAWFORD. I should like to ask the Senator if he seriously asserts that politicians have an income?

Mr. WILLIAMS. Well, after they get through with the year they have not much left. [Laughter.]

Mr. BRANDEGEE. No net income.

Mr. WILLIAMS. But they have at least had a salary and an opportunity to have an income.

Mr. BRANDEGEE. Mr. President, as usual, I seem to have managed by skillful interference to have projected myself in between two fires or between the upper and the nether millstones and to occupy the floor simply in the capacity of a yielder.

I do not disagree with the Senator from South Dakota at all, and, if I had been allowed to continue consecutively, I would have stated long since, I think, everything that he has stated. I understand perfectly well that the language which he uses in his amendment exempts incomes made by the exertion of personal effort, whereas the equivalent law in Great Britain simply imposes a lower rate of tax upon them.

I started to say that I had, so to speak, considerable offhand sympathy, without having had a chance to give it any mature consideration, with the idea that the two incomes were so essentially different in character, especially in consideration of the sympathy we have with people who have to strive and

work in order to live, as differentiated from those who, so to speak, are born with a gold spoon in their mouths and are simply living on the efforts of their ancestors—that I have considerable sympathy with the idea that there ought to be a difference at least in the rate of taxation. I am simply calling attention to the fact that the amendment of the Senator from South Dakota will exempt entirely from taxation every income derived from personal effort, because the expression "profession, trade, or vocation" includes every possible line of human effort. The amendment would exempt everything that was made by a stock gambler or a gambler in the wheat pit. It would exempt—

Mr. WILLIAMS. If the Senator will pardon me, there would be one thing, and one alone, that would not be exempt under it, and that would be an inheritance or a legacy. The idea of taxing inheritances and legacies has much soundness in it, as distinguished from income which one acquires by his own labor; but that is to be reached by an inheritance and legacy tax and is reached in nearly all countries in that way. That would be about all that would be exempt under that amendment, and inheritances and legacies are already quite generally taxed.

Mr. BRANDEGEE. Mr. President, what I said was that the amendment exempts absolutely everything that a man makes for himself. Of course, it would not exempt a legacy which somebody else made for him and gave to him. If a man's occupation or vocation—for vocation means nothing but a calling—if his calling or occupation were that of a financier it would exempt everything he made by underwriting and by financial operations in the course of a year that would be the product of his effort. Nothing can be imagined that a man can busy himself about with a view of profit which the amendment as drawn would not utterly exempt. I know it is the intention of the Senator from South Dakota not to seek to do that, but simply to impose a different rate of taxation.

In addition to what I have already said, it occurs to me that it is not, and probably would not be, the perfectly simple question that at first blush it may appear to be, to wit, to arrive at a proper differentiation of the various merits of the different kinds of professions, trades, and vocations, in order to ascertain at what rate they should be taxed. The country doctor works hard and makes very little compared with his efforts, and the efforts of the clergyman are more or less of a philanthropic character and he generally gets low pay. Many people would want to tax them at a lower rate than they would tax the income of the great corporation lawyer or of the financier.

So that even the products of the individual efforts of various men among themselves might, in the opinion of a legislative committee and of Congress, require various shadings of taxation. Whether there could be an agreement ultimately about a matter of that intricate character I do not know; but I am quite willing, although I do not suppose the committee would care to enter upon the investigation now—I am quite willing at the proper time to vote for the resolution requesting the committee to consider the question, and I will do so without any intention of being offensive to the committee or of asking them to consider anything out of their jurisdiction or that ought not to be considered at this time. I assume, however, that the committee would not have either the time or the inclination, perhaps, to take it up now, but simply to show the interest that I take in the subject and as an evidence of some degree of faith at least in the idea of trying to see if anything possibly could be evolved out of it, I should be happy to vote for the resolution introduced by the Senator from South Dakota.

Mr. LODGE. Mr. President, the income tax as a mode of taxation is well recognized by all economists as open to two very serious objections. One is the failure to differentiate between unearned and earned incomes. The other is the ease of evasion. It is one of the easiest taxes in the world to evade. It falls with absolute certainty very largely on trustees, who have to make returns, who in a majority of cases represent women and children, and who can not evade such a tax. The evasions of the income tax in England to-day are very large. The tax also falls with full force upon the people who are the most honest in the community, while the shifty and dishonest escape. In a word, it has all the objections that arise to any tax which in its nature is easy of evasion.

The other objection about earned and unearned incomes can be partially met, if not wholly overcome. At least it is so thought in England, and I am not sure that we may not be able to learn something from considering the systems of taxation of other countries, although my friend the Senator from Mississippi does not seem to think so. Speaking broadly, I believe it may be said that all economists recognize that a tax imposed

upon the earning capacity of a community is not theoretically the best tax. It is inferior, for example, to the inheritance tax, which does not place a burden upon earning capacity and is certain of collection, owing to the fact that an inheritance has to pass through probate offices and requires the assent of the Government before it can be distributed.

A burden on the earning capacity of a community is a very serious thing. The earning capacity of a community, which is the motive power of prosperity, is something which it is desirable under every civilized government to encourage. It is not wise to throw too heavy a proportion of the burden upon the earning capacity of any community. The men who draw the load should not be overweighted or disheartened. England has finally met this difficulty in a degree at least by differentiating between the tax derived from earned income and the tax derived from unearned income; and I think this point will have to be considered by us if we have adopted the income tax, as I believe we have, for a permanent source of national revenue. I think we must try to make the burden fall more heavily upon the income which is not earned than upon that which is earned, and the income, so called, which is not earned is very large, so large that there need be no fear of an insufficient return.

Mr. WILLIAMS. Does not the Senator momentarily lose sight of the fact that property is taxed in all the States?

Mr. LODGE. I understand that.

Mr. WILLIAMS. There is another consideration, too. The very people who will evade an income tax are for the most part not those who derive an income from rents or from other property, such as bonds or stocks. Everybody knows what a dividend is, and everybody knows what a rent is; but lawyers, doctors, and other people have uncertain incomes known only to themselves, so that there is naturally in the very working of the law when men are not fairly honest—the fairly honest man is going to act the same way in both capacities—already a discrimination against the man who has the property. He has to pay State and county taxes upon his property, so that the man whose property consists in dollars which he earns in a year is the least taxed of all men.

Mr. LODGE. The Senator, of course, understands that I am not advocating the exemption of earned incomes, but only that a heavier burden should rest on the unearned than on the earned income.

Mr. President, there is another question raised by the income tax, as provided for in the bill, which is to my mind far graver than that of differentiating between the earned and the unearned income, and that is, making the exemption limit so high.

I think a high exemption is vicious in principle if it is made for any reason except that at the exemption point you go beyond the possibility of profitable collection. In theory, at least, everybody should pay his share of taxes, especially in a popular government. I know well the great objection to making a lower exemption than that established by this bill. The fatal objection is that to do so is unpopular. But I believe in the long run it will be seen that it has the best and only enduring grounds of popularity, which is justice.

Of course the men of small earnings and small incomes pay taxes to the Government of the United States in the indirect form, and one great objection to indirect taxes, so excellent economically, is that people do not realize fully that they are paying them. The tax which the man pays over the counter is the one he realizes. When he walks up to the taxgatherer in his town and finds that his rate has been raised he takes an interest in the administration of the business of the town. But as to the indirect tax, the tax that the man pays on alcoholic liquors, if he chooses to drink, or the tax that he pays on tobacco, are not only indirect but voluntary taxes, and he does not know, as a matter of fact, whether he pays them or not. He pays them, but he does not feel them. The difference, moreover, between what one man consumes and what another consumes in the way of food and drink and tobacco and raiment is not very great, for the power of consumption of the individual can not vary very largely, and he who lives and chooses most expensively pays most in taxation. But this tax which we are now imposing for the first time is a direct tax; and this country has hardly known direct taxes except in times of war.

A man who has \$1,000 income per annum and pays, as proposed by the Senator from North Dakota, \$1 a year as income tax to the United States Government is not, I think, bearing too heavy a burden, but he is realizing what his Government is doing, which is of enormous value and makes him thereby a better citizen. He realizes that he is responsible for the Government as never before. There has been no greater misfortune to this country than what we have seen in every great city, and that is that the men who pay no taxes spend the

revenues. The result is inevitably extravagance and corruption. Men are always ready to spend some one else's money.

Look at the history of our municipal governments. They are not a subject of pride to any American. But if every man in those communities had paid his tax, if it was only 5 cents, and if he knew that if the money was extravagantly spent it might be 10 cents, he would have had more care about spending the public money, about the men he elected, and about the administration of his local government. One great reason for the extravagance we have had in our National Government, in my judgment, arises from the fact that almost all our revenues have been raised by indirect taxation.

I want the man with \$1,000 to pay his dollar or his 50 cents or his 25 cents, if you wish—I do not care how small you make it—so that he may keep his eye on the National Government in Washington. If you make the man contribute out of his pocket to the maintenance of the Government and know that he is doing so, he will take the interest he ought to take. He will watch his Representatives and Senators; he will look at the national appropriations. In my judgment it tends to good government, to greater economy in expenditures, to less waste of money, to the expenditure of money in such a way as to secure the best return. I believe, moreover, that it is in accordance with every sound historic traditional American doctrine that I have ever learned in the history of the country, and I think it is as sound a doctrine now as it ever has been, that every man should pay his share for the support of the Government which he helps to create.

I am not oblivious to the fact that many of those who can best afford to pay have escaped and are escaping their share of taxation. We know that this evil exists everywhere, from our towns to our Nation. But that does not alter the principle that every man, no matter how trifling his contribution, should pay his share of the expense of carrying on the Government that supports and protects him.

This brings me to the other important point in the consideration of the imposition of an income tax. The Senator from Mississippi [Mr. WILLIAMS] said yesterday—and I was extremely glad to hear him say it, because I think it touches a very vital question—that when taxes were imposed simply to take money from a man because he was rich, and for no other reason, the party that would do it would cease to be the Democratic Party and would become a party of communism, and perhaps something worse. It will be an evil day for us when we enter on confiscation of property under the guise of taxation. What we want to do is to raise money for the support of the Government in such a way that we shall make those pay most who can best afford to pay. I know that we are far short of that standard now. But I remember that among the many wise things Mr. Lincoln said was this: That you could find fault with any tax as to its incidence, as to those who escaped it, as to its unfairness, as to its burdensomeness, but that if we stayed talking about it until we got a perfect tax we never should raise any revenue at all.

No tax can be perfect; but it should be the effort of the Government and of the taxing power to impose the tax, if it be an income tax, so as to raise the revenue in the largest proportion from those who can bear it best. But let us beware how we enter upon taxing on the ground that we want to punish somebody because he has money. If he has earned his money improperly and unlawfully, by oppression and extortion, he is a subject for punishment under other laws. That is a question of the method of accumulation, as the Senator from Mississippi said yesterday. But to have the Government undertake, for vindictive reasons, to punish a man simply because he has succeeded and has accumulated property by thrift and intelligence and character, or has inherited it honestly under the law, is entering upon a dangerous path. It would convert this tax from the imposition of a tax to the pillage of a class. That I think is a very dangerous ground to enter upon.

Very rich men, large properties, are no new thing in the world. You have but to turn to the history of Rome at the time when it passed through the form of a republic to the form of an empire and see the enormous properties which were then held by single individuals. You can read of it in Cicero's familiar letters to Atticus, who was one of that class. There were enormous fortunes then; there have been enormous fortunes under every commercial civilization from that day to this. What distinguishes our time is the colossal size of the fortunes which have been accumulated in this country, because we have had the greatest opportunities, larger than exist anywhere else. But huge fortunes—huge beyond anything the world has ever dreamed of hitherto—have in these days been amassed everywhere. Undoubtedly they constitute, in some ways, a menace to free, orderly, constitutional government. They are often

grossly abused. They arouse evil passions. Undoubtedly they are a danger. But the danger is one that is not going to be successfully met by allowing a spirit of vindictiveness to enter in, and to say broadly that a man, whether innocent or guilty, must be punished through the taxing power of the Government for merely possessing property. Make him bear his fair burden, by all means. I would put the burden especially heavily on the income that is unearned; but I would not set a class apart and say they are to be pillaged, their property is to be confiscated, in order to gain, perhaps, for myself or my party a brief and fleeting popularity. We shall thereby come too near to that which proved the downfall of the Roman Republic, when the one cry for the man who chose to raise himself above his fellows and to gain great power was to promise, "Panem et circenses." The man who would give the bread and the games was the man who attained power, and it is easy to drive men to this if they have to choose between that and ruin.

I do not want to see that class built up in this country. I do not want to see its members forced into that position by being hunted like wild beasts. I want, just so far as intelligence and ingenuity can do it, to impose this direct tax so that it will fall most heavily on those best able to bear the burden; but I want it done in order to raise revenue for the Government of the United States and for no other purpose. I do not want it done in a spirit of hatred to a man merely because he happens to have money.

I know the present tone is that any man who has money is *prima facie* a criminal and that any man who has been successful in any way falls under suspicion. But there has been in this country for many years, and there is to-day, in my judgment, a great deal of honest success honestly won. There have been great fortunes honestly made and wisely and benevolently distributed. I do not believe Americans of that class are all gone. I think this country is full of honest men making large incomes in business or at the bar or elsewhere, and making them honestly and fairly. I think they are entitled to the fruits of their success, and they as a rule bear the burden of their duty to the community generously and well. It will be an ill day for this country when we raise the cry that success honestly won is to be punished; that money honestly gained is the badge of criminality; and that we are to go to the people of the United States in the search for popularity, and say to them: "Follow us. We will plunder the people who have got the money. You shall spend it, and it will not cost you anything." That is a dangerous cry to raise in any country, for when you unchain that force you can not tell where it will stop, and in your eagerness to destroy property and rob men of hope and ambition you may bring your boasted civilization down in ruins about you.

This Government was founded in justice and in belief in the individual man. Of that Thomas Jefferson was the great apostle. I believe we are trenching on very dangerous ground when we assume that if a man has succeeded, if a man has accumulated wealth honestly and fairly, therefore he ought to be brought to the block and punished for the mere fact that his brains and his character and his work and his self-control have enabled him to rise.

Success used to be held out as the prize for every American boy. Now we are holding out to him the suggestion that he can not reach success without pursuing devious ways, and that if he does attain success, if he does amass a fortune, he is to be an object of suspicion to all his fellow men.

Let us impose our tax in the best and justest way we can. Let us do it in such a way as to make those pay most who can best pay. Let us do it to raise revenue. Do not let us do it in order to gratify hatred and malice and all uncharitableness.

MR. BORAH. Mr. President, in my judgment if anyone should undertake to organize a movement in this country for the purpose of attacking a man simply because he was successful, or discriminating against a man or men because they were successful or because they were the possessors of wealth, he would find himself in a very short time the most unpopular man in America.

I do not know, from my limited reading, of a country in the world where there is so little feeling against a man simply because he possesses wealth as in this country. I do not know of any country where the people are so tolerant of success, and are always so willing and anxious to congratulate a neighbor or a friend upon his success, as here in this country.

I do not believe it is popular in this country to take the opposite view, and to assail wealth because of its existence, or to assail a man because he has been successful in gathering wealth. I think the Senator from Massachusetts has pictured a condition which does not exist in this country at all. He has painted in lurid and fretful outlines a scene wholly un-

known to American life. I do not believe there is any feeling upon the part of the people which would encourage men to gather about one who is following the course he has indicated men might be following now for the purpose of securing popularity. But every time there is an effort upon the part of anyone to bring the men of means and of great wealth within the rule that obtains with reference to all other men, the cry of the demagogue is raised, and the men who undertake to do it are immediately assailed as appealing to popular prejudice. It is an old cry. Unable to meet the arguments of justice, unable to confute the logic of equity, they draw their phylacteries about them and proudly withdraw from the demagogue and the shouting populace.

The effort to bring into subjection and under the rule and control of the law those who have obtained such power and such influence as, in many instances, to enable them to ignore it, immediately leads many people to suppose that it is being done solely for the purpose of popularity rather than for the purpose of enforcing the law as to all men, rich or poor, great or small. I do not know of anyone who has ever advocated an income tax or an exemption upon the theory of punishment, or upon the theory that some should pay taxes and others should not. The men who have given their lives to the study of this question, who do not deal with the populace, who do not deal with popular prejudice, who ask no favors at their hands, who seek no votes from them, will be found to sustain the position of those who advocate a reasonable exemption in an income-tax law.

I challenge the Senator from Massachusetts and those who view the matter as he does to point me to a single great publicist or writer upon this question who does not bear out the statement I have made.

The income tax had its impetus not with men seeking popular favor but in a thorough, conscientious, persistent investigation upon the part of those who have gone to the sources of information and have studied the statistics which are available from almost all the countries of the world. I could quote many, but I am going to quote a short paragraph from one who occupies a most eminent position in one of the great universities of this country, and who, I presume, cares as little about popular favor as any man who could possibly be called into this discussion.

He says:

Under existing conditions in the United States the burdens of taxation, taking them all in all, are becoming unequally distributed, and the wealthier classes are bearing a gradually smaller share of the public burden. Something is needed to restore the equilibrium; and that something can scarcely take any form except that of an income tax.

In the State which the Senator who has just spoken has the honor to so ably represent it was discovered a few years ago that the assessed valuation of all the real estate amounted to \$2,000,000,000, while the valuation of all the personal property in the State, according to the assessment, amounted to only \$500,000,000. In other words, as I stated yesterday, this class of property escapes taxation in spite of all the ingenuity of man to bring it within the law, and an honest effort to make it bear its proportion of the burden is not to be whistled down the wind by the assertion that those who advocate it are appealing to popular prejudice. I seek to punish no man because of his wealth. I honor the man whose genius, coupled with honesty, gathers well of this world's goods. But I would count myself recreant to the public service if I did not seek to so shape the laws of my country as to mete out to him the same obligations as rest upon the unsuccessful or the penniless. It is not demagoguery; it is the fundamental but forgotten principle upon which this Government was established.

Two or three very large estates have been probated within the last three months in a single city of the United States, one of which was probated for \$87,000,000 and the other two for \$100,000,000 each. What percentage of their income or what rate of tax did they pay to the National Government? Every man should pay a tax to his government. Of course he should. To state that is to state a rule as fundamental as the Ten Commandments. But does not every man in this country pay a tax? Does anybody escape it?

The only logic of the Senator's argument is finally to accept direct taxation, exclusively and alone, as a means of raising taxes. When we shall adopt a system of direct taxation, exclusively and alone, I will join the Senator from Massachusetts in putting the exemptions down to a very low figure. But I insist now, as I have insisted before, that so long as we raise seven-eighths of our revenue by another method and only one-eighth by direct taxation, it can not be said that any man is escaping taxation. Neither can it be said that in giving a reasonable exemption we are exempting a class, for that class supposed to be exempted have already paid more than their proportion.

The Senator cited the case of city governments as extravagant. Do they have a system of indirect taxes to any extent? Who operates and runs, and who is responsible for, these extravagant city governments? Take the city government of New York. Notwithstanding its great extravagance, as exhibited by the figures which I read in the New York Sun a few days ago, does anybody suppose that the men who are really managing the business affairs of New York are the poor people upon the streets, to whom the Senator refers as the authors of extravagance? Certainly not. The men who are operating and managing the business affairs of the city of New York are, in a large measure, of the same class of men for whose protection the Senator pathetically pleads.

There is sufficient incentive to economy upon the part of the man of ordinary means in this country by reason of the taxes he already pays. Where does the demand for increased expenditures come from? Has any Senator undertaken to satisfy himself from whence arise these demands for increased expenditures? Do they come from the man upon the street or upon the farm or in the shop or the man of limited means? When there is a cry to raise salaries or to build embassies or to increase expenditures in one way or another, from whence comes the support? The great support comes, nine times out of ten, from those whose properties are paying practically no tax at all to the National Government. There is little disposition to extravagance upon the part of the masses. They are not asking for such expenditures, nor have they shown any disposition to increase expenditures and put the burden of the increase upon the wealth of the country. I have seen no disposition of men of small means to vote taxes. I have always noticed that in matters of local expenditure, in matters of new taxes, in matters of creating new offices, that the general voter is very slow. Extravagant demands have come from those who feel that however great the burden they will pay no more out of their abundance than their neighbor pays out of his less fortunate allowance.

It is not necessary, Mr. President, to add something more to the burden of the man in the field or shop in order to interest him in the question of economy. The effort of those who have been here advocating the proposition of a reasonable exemption and a reasonable graduation is based not upon the design to punish, but is based upon the principle which is the foundation of all just taxation, that men shall pay in proportion to their ability to pay.

Will the Senator from Massachusetts or anyone else undertake to demonstrate to me that the wealth of this country is paying as much tax to the support of the National Government in proportion to its property and its income as the one who it is said we are appealing to for popular favor? Will they take the statistics of the past which may be gathered and undertake to show that he is not now meeting more than his proportion of heavy burden? Until they do that their mouths are closed and they are estopped from challenging the good faith of those who advocate a reasonable exemption in this kind of taxation. After a man pays the tax which he must pay on consumption, then give him a chance to clothe and educate his family and meet the obligations of citizenship and preparation of those dependent upon him for citizenship before you add any additional tax. That is the basis of this exemption, and it is fair and just to all and toward all.

Mr. WILLIAMS. Mr. President, I want to express the hope that we may now go on with the bill. This is a purely academic discussion which has been taking place between the Senator from Massachusetts and the Senator from Idaho, and is especially academic at this time. There may be great merit in the argument of the Senator from Massachusetts some of these days, but not now. The reason why there is not great merit in it now is because while it taxes these people with indirect taxes of various sorts these things should be left for some day, when the good day comes—the golden day—when there will be no taxes upon consumption at all except upon whisky and tobacco and wine and beer and things that are considered harmful, and no import duties at all except countervailing duties to offset them, and when everybody will pay in proportion to his income. It might then be well to reduce the exemption or to do away with it, so that a man with \$5,000 would pay his \$50, or whatever it was, and the man with \$500 would pay his \$5, and the man with \$50 would pay his 5 cents, and the man who got but 5 cents would pay his 1 cent, and call it the people's pence, like Peter's pence, and let everybody pay his share.

But it is absolutely academic at this moment. It is not doing any good to carrying on the legislation of the Senate, and it can not be even intelligently discussed until we get into an entirely changed condition of things. So I ask that we may go on with the bill.

Mr. WARREN. Mr. President, I wish to ask a question, not of an academical nature at all. And if the Senator is not too much in haste I want to say, before I ask the question, that I am one of those who voted for a constitutional amendment to enable the Government, without fear of former constitutional limitations, to provide for an income tax. I was one of those who then believed and I am one of those who now believe that an income tax should be altogether, or, if not altogether, pretty much retained as a reserve resource. I am one of those who believe that customs duties and the internal-revenue taxes ought to support the ordinary expenses of the Government. I think they should be so levied as to harm nobody and to protect and encourage industrial pursuits, in order to enrich and not impoverish the people; and the matter of an income tax could be lying back in reserve, with the necessary machinery ready, if you please, so that in time of war or great stress we could immediately, as the Senator from Mississippi has said, enlarge and provide the necessary additional revenue.

But there are some questions which arise in my mind; it may be because I have not yet sufficient grasp of the bill. I recall with regret that one of the matters which has been before this body and before the other body ever since I can remember, and then some, is the election of Senators by the people. Finally, after years and years of struggle and debate and profound consideration, we legislated, and almost within the twinkling of an eye we are in the midst of trouble in the matter of knowing how to apply that measure to existing circumstances or knowing exactly what the law means. There is an eminent man rapping at the door here for a seat in the Senate; he is worthy in every way; and the live question is, Under what circumstances and under what interpretation of the law can we permit him to take his seat? With that election-of-Senators law which we have just enacted with so much care and which caused us to listen hours and hours to constitutional speeches upon the matter, we are hung up in the air by a seemingly simple matter following a happening that may occur again at any moment in the death of a Senator and the filling of a vacancy.

Now, we may meet some very awkward situations in doing real business under this proposed income-tax tariff law unless we most carefully perfect the measure before its passage. The other day I happened to be doing some business with the president of a trust company. My connection with that company had been where they had acted as trustee for bondholders of certain small corporations which others, with me, had bonded, and while it did not come up in the nature of a complaint the president nonchalantly asserted that unless the pending bill is changed in some manner he feared it would be very awkward in its application to trust companies and to those who have the distribution of money collected for the coupons on bonds, and so forth. For instance, as he said, his company collected or paid a great many coupons on bonded companies.

Mr. WILLIAMS. Bonds payable to bearer?

Mr. WARREN. Sometimes they are registered and sometimes they are payable to bearer. They are issued or indorsed both ways, as the Senator knows. A man up in Washington or Oregon sends down the coupons here, and, as we understand the law, we shall be compelled to enter upon our books collections as an account, with names of all collections and payments, and if we do that it means 30 or 40 or more extra clerks; we must then notify the parties in interest that the money is there. Then we shall have to have proof from him that it is duly accounted for in the way of an income tax, or else we shall have to subtract and pay here and enter up accordingly on our books.

Have the Senator and those who work with him thoroughly canvassed that situation? They did very much for it. I do not say they have not, but I want to know whether they have.

Mr. WILLIAMS. I think we have.

Mr. WARREN. I want to say to the Senator that it seems to me the way to correctly figure out a bill is just along a proposition of that kind of how it will apply absolutely in actual business. All of us remember the old farmer saying that "the proof of the pudding is in chewing the string."

The Senator can see what an awkward situation there might be if somebody sends down a little package of coupons to be collected and intended to be applied to paying an obligation of his own, and he had to be hung up until he could go before some United States officer and make proper affidavit and have proper papers executed and sent down here at an expense perhaps that would eat up a large portion of that income.

Mr. GALLINGER. I will ask the Senator if coupons of that nature are not usually sent through the banks?

Mr. WARREN. They are often, but in that case I can hardly see how it makes any difference. Somebody must be responsible to the Government. It may be the trust company in New York, it may be in Chicago, or it may be nearer home. I

am only raising this inquiry for the purpose of ascertaining whether that side of the equation has been fully considered. If not, I hope it may be.

Mr. WILLIAMS. In answer I will say to the Senator it gave us a great deal of trouble and it gave those in the House a great deal of trouble. We were faced with the question of being certain that they got the revenue, and we were also faced with the question of deducting at the source, which is the cause of all the trouble, of course. We adopted that system because we discovered that in Great Britain and elsewhere without raising the rate it increased the revenue very much, and also there were less evasions under it. We adopted generally the principle of deducting at the source.

Mr. WARREN. The Senator will see that if it should be necessary for the banks and the trust companies to carry a line of accounts open, purposely for this, and employ more help for doing this business, it would be a larger thing than a great inconvenience to the owners of such securities, because the collecting agents would seek compensation for extra services.

Mr. WILLIAMS. That is very true; it will increase the amount of bookkeeping by paying at the source. It is unfortunate, but it can not be avoided.

Mr. WARREN. Can the Senator avoid all the delay?

Mr. WILLIAMS. The tax is paid at the source. Then if the taxpayer is not subject to the tax he makes a statement to that effect before the tax is actually paid if he chooses, or the company could make it for him, or if it is paid before any statement is made, then he becomes entitled to a refund of it upon a proper showing in another clause of the bill. Of course, you can not have an income-tax law upon the principle of deduction at the source without throwing some extra burdens upon the people who pay the tax and have the people make a statement to the other people as to what they have done. To that extent the complaint is just, but it is unavoidable.

Mr. WARREN. I think I see in this explanation of the Senator a good deal of delay and a good deal of expense. Is the Senator quite sure that the subcommittee has exhausted all its resources in reducing that to a plainer mode of handling?

Mr. WILLIAMS. Yes.

Mr. WARREN. Because if everyone must wait until the proper proof is presented and all these records are to be made, I can see that on a 4 per cent bond or a 3½ or 5 per cent bond a very large percentage is going to come out of the income, and it goes not into the Government's hands, but into expenses.

Mr. WILLIAMS. I was trying to find the provision here. I can not lay my hand upon it right now, but when we do get to it I will explain it fully to the Senator. I should like to read it now.

Mr. WARREN. I hope the Senator may, before the bill passes, give it further consideration.

Mr. WILLIAMS. That matter has had our full consideration. We had hearings upon it which lasted quite awhile. It gave me personally a good deal of trouble and embarrassment, and it did to the committee.

Mr. SHERMAN. Mr. President, I appreciate the difficulty in which the Senator from Mississippi finds himself in framing what would be entirely satisfactory to those interested in the trustees, and I think he is entirely correct in saying that in many of these things a workable or more perfected form of the law will not be had until we have tried it a while. I am not disposed to be at all critical in the matter.

Mr. WILLIAMS. Just one word. The Senator from Wyoming will find what I was referring to is in paragraph D of this section.

Mr. WARREN. I understand.

Mr. WILLIAMS. It begins on page 172, at line 17. I think if the Senator will read that entire paragraph he will find the matter about as well taken care of as is possible with the limited ability of anybody to entirely avoid the absolute impossibility of throwing some extra labor upon those who must make the statements in order to pay at the source.

Mr. WARREN. I notice with pleasure this change from the original bill, but I hope the Senator will again still further elucidate it.

Mr. SHERMAN. Mr. President, the discussion originally began on the amendment offered by the Senator from South Dakota [Mr. CRAWFORD], as I remember. I wish to recur to that for a brief moment. The criticism in the application of the principle embodied in that amendment is that it taxes the thrifty and exempts the prodigal. The same criticism I am aware, and I know it is one of the difficulties, would apply to the savings of any active person. If the savings be out of property income there would be at the end of the year a surplus derived from that income, and that in turn invested would become principal; the principal would produce in turn income, and so on, indefinitely. The earnings of any person from any occupation or

profession would, if not spent in like manner, become principal. If by professional effort any person should earn a given sum annually and he spends half of it, he saves the other half. The half so saved in turn becomes principal. That principal is property. The savings from the income by professional effort or by any form of skilled labor or unskilled by hand becomes property. At the end of any given period that saving is a principal, and any income derived from it is an income from property, not an income from the earning capacity or the personal ability of the taxpayer in question. So, in every instance it comes finally to the same result. I can see no criticism in the application of the principle embodied in this amendment because of that reason.

I believe in the classification that we have to make it is a just classification to distinguish between those who have incomes from fixed investments of property and those who have incomes from earning capacity. That is the point involved in the amendment offered by the Senator from South Dakota. That distinguishing difference consists in the source of the income. The one is a stable, fixed investment in the form of property, either in the form of credits or in the form of tangible property, either merchandise or realty, or any of the different forms that personality assumes. Those investments that produce an income from a property source I think are properly to be distinguished from those arising from the earning capacity of the individual. A public officer, an employee, one who earns by professional ability, an architect, a musician, a lawyer, a doctor of divinity, a doctor of medicine, all are earning because of their personal ability.

I think the distinguishing line is as indicated in the amendment. When there is a perfect Government tax rate it will be very low or reduced to a point where none of us will complain. Every taxpayer is an involuntary victim of the necessities of government. That will continue until the time when government has become so perfected that a large portion of our expenses will be rendered unnecessary. That is a good way off. We will have to perfect human nature, and that is so far away that it is purely an academic question.

Here are the percentages on the estimates made by the report of the Senate Committee on Finance. If postal receipts be excluded, it is some \$716,000,000 at present on the estimate and on the actual collection of revenue. The greater part of the Government income is from internal revenue and is in the nature of a direct tax, because it operates directly to increase the cost of the commodity. The internal revenue on this estimate will be 41 per cent of the total income for the fiscal year ending the 30th day of June, 1914. Our customs duties will be 37 per cent, our income-tax revenue will be not quite 10 per cent. The corporation tax will be 5 per cent. Our income from the sales of public lands and from miscellaneous sources of all kinds constitute the other 7 per cent, making a total of 100 per cent, aggregating about \$716,000,000. The rest of the \$996,810,000 of the governmental income of the next fiscal year consists of \$280,000,000 estimated postal receipts.

So under this proposed plan of taxation there are now on the estimate barely 10 per cent to be raised by an income tax. That is a very small part. I think you might justly increase within certain limits of the classification the taxes to be levied, and you might decrease appropriately the income derived entirely from the earning capacity or, in other words, the personal efforts of the ability and industry of those who earn the income.

Mr. WILLIAMS. Now, Mr. President, let us go on with the bill.

The PRESIDING OFFICER. The reading will proceed.

The SECRETARY. The bill has been read down to the middle of line 13, on page 167, where the committee proposes the following amendment. On page 167, line 13, before the word "bequest," to insert the word "gift," so as to read:

B. That, subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person shall include gains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, also from interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profits and income derived from any source whatever, including the income from but not the value of property acquired by gift, bequest, devise, or descent.

The amendment was agreed to.

The next amendment was, on page 167, line 18, after the word "contract," to insert "or upon surrender of the contract," so as to make the proviso read:

Provided, That the proceeds of life insurance policies paid upon the death of the person insured or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, or upon surrender of the contract, shall not be included as income.

Mr. CUMMINS. Mr. President, before we go further with the bill I want to make a suggestion to the Senator from Mississippi [Mr. WILLIAMS]. I make it through the medium of an amendment, which I now propose.

I move that all that part of paragraph marked "B," under subdivision 2, on page 167, down to and including the word "descent," in line 13, be stricken out.

I want the Senator from Mississippi, the committee, and, indeed, all the Senators on the other side of the Chamber to understand that I offer this amendment in a friendly spirit. I am quite as much in favor of the income tax as any of them can possibly be.

It ought not to be forgotten, however—and I am now speaking to the lawyers on the other side; I want to make a lawyer's argument and not to raise at this moment any question of policy—that the authority of the Congress of the United States with regard to this subject is not unlimited. Our power is not like the power which Great Britain exercises over the subject. It is not like the power which the several States exercise over the subject. It is a power granted in article 16 of the Constitution, and I will read it:

Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

Our authority is to levy a tax upon incomes. I take it that every lawyer will agree with me in the conclusion that we can not levy under this amendment a tax upon anything but an income. I assume that every lawyer will agree with me that we can not legislatively interpret the meaning of the word "income." That is purely a judicial matter. We can not enlarge the meaning of the word "income." We need not levy our tax upon the entire income. We may levy it upon part of an income, but we can not levy it upon anything but an income; and what is an income must be determined by the courts of the country when the question is submitted to them.

I think there can be no controversy with regard to those propositions. I am very anxious that when this bill shall have passed it may be effective, that its operation may not be suspended or delayed through a resort to legal tribunals.

Mr. FLETCHER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Florida?

Mr. CUMMINS. I yield to the Senator.

Mr. FLETCHER. I should like to inquire whether the Senator means to state that Congress can not by statute define what shall be regarded as an income tax?

Mr. CUMMINS. I do not think so, Mr. President. The word "income" had a well-defined meaning before the amendment of the Constitution was adopted. It has been defined in all the courts of this country. When the people of the country granted to Congress the right to levy a tax on incomes, that right was granted with reference to the legal meaning and interpretation of the word "income" as it was then or as it might thereafter be defined or understood in legal procedure. If we could call anything income that we pleased, we could obliterate all the distinction between income and principal. Whenever this law comes to be tested in the courts of the country, it will be found that the courts will undertake to declare whether the thing upon which we levy the tax is income or whether it is something else, and therefore we ought to be in the highest degree careful in endeavoring to interpret the Constitution through a statutory enactment.

Now, let us see. Subdivision 1 says:

That there shall be levied, assessed, collected, and paid annually upon the entire net income—

And so forth.

That is a declaration which is fair, which is constitutional, which is complete. If we wanted to do it, we could levy a tax upon the gross income. The bill chooses to levy the tax upon the net income; and that is entirely within our power, because, as I said before, we can diminish the operation of the Constitution; that is to say, we need not levy the tax upon the entire income; but we can not enlarge the operation of the Constitution and levy a tax upon anything but income. Therefore, it seems to me that the bill ought to continue throughout its length in the language with which it begins, namely, that we levy a tax upon the entire net income of the citizens of the United States who fall within the provisions of the bill.

With these observations in view, I want to read that part of the bill which my amendment seeks to eliminate, on page 167. It is as follows:

B. That, subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person shall include gains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, also from

interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profits and income derived from any source whatever, including the income from but not the value of property acquired by gift, bequest, devise, or descent.

Mr. WILLIAMS. Mr. President, I want to offer an amendment at that point to cure a defect. After the word "sales," in line 6, there ought to be a comma.

Mr. CUMMINS. I do not, of course, found my amendment upon any omission of that kind.

Mr. WILLIAMS. I merely want first to perfect the language, if there is no objection.

Mr. BRANDEGEE. Right at that point—if the Senator from Iowa will pardon me—if the Senator from Mississippi inserts a comma after the word "sales," he does not intend—

Mr. WILLIAMS. It reads, "businesses, trade, commerce, or sales"—

Mr. BRANDEGEE. It reads "sales or dealings in property."

Mr. WILLIAMS. It refers to profits derived from any sort of sales—profits derived from "sales or dealings in property."

Mr. BRANDEGEE. Why have the words "in property" after "dealings" and not after "sales"?

Mr. CUMMINS. Mr. President, I hope the amendment suggested by the Senator from Mississippi will be allowed without any controversy, because my amendment is not involved nor does it concern that correction.

The VICE PRESIDENT. By unanimous consent, then, the amendment proposed by the Senator from Mississippi will be agreed to.

Mr. CUMMINS. It will be observed that here is an attempt, Mr. President, to define the meaning of the word "income," to describe its scope, to determine its effect. I reiterate that the attempt will be ineffective and may be exceedingly dangerous.

Great Britain might employ such words as these in modification or explanation or enlargement of the word "income," because Great Britain has no constitutional restriction upon her Parliament. A State might use these words with perfect propriety, because a State has a right to include whatever she likes within the meaning of the word "income"; but the Congress has no right to employ them, because the Congress can not affect the meaning of the word "income" by any legislation whatsoever. The people have granted us the power to levy a tax on incomes, and it will always be a judicial question as to whether a particular thing is income or whether it is principal.

Mr. LEWIS. Mr. President, knowing the Senator from Iowa to be an excellent lawyer, will he give me his views on this point: Does the Senator contend that the word "income," therefore, as stated in the Constitution, must be construed to mean what it meant and was understood to mean at the date of its adoption as part of the Constitution?

Mr. CUMMINS. I do not so say. What I have said is, however, that it is not for Congress to interpret what it means; it is for the courts of the country to say, either at this time or at any other time, what it means. If it were within the power of Congress to enlarge the meaning of the word "income," it could, as I suggested a moment ago, obliterate all difference between income and principal, and obviously the people of this country did not intend to give to Congress the power to levy a direct tax upon all the property of this country without apportionment.

Mr. LEWIS. Then, assuming that the matter would have to be determined finally by the court, which concession we all must make, would the Senator's legal mind revert to the theory that the court, then, would have a right to define the word "income" to mean whatever was understood judicially by "income" at the date of the adoption of this act?

Mr. CUMMINS. I do not accept that at all, because it is entirely beyond the domain of Congress. In 1789, I believe, the people of this country gave Congress the power to regulate commerce among the States. It is not within the power of Congress to say what commerce is. "Commerce" may mean a very different thing now as compared with what it meant in 1789; it has broadened with the times; the instrumentalities have changed with the course of years; but Congress can not make a thing commerce. The court must declare whether a particular regulation is a regulation of commerce, and in so declaring it defines for the time being what commerce is.

Why, Mr. President, should Congress attempt to do more than is declared in the first section of the proposed bill? It is right; it is comprehensible; it embraces everything—no, I will withdraw that; it does not embrace the full power of Congress, because Congress can levy a tax upon gross incomes if it likes; it may diminish the extent of its taxing power or not exercise it all; it may exclude certain things from the taxing power that it might include; but it can not change the character of the taxation; and when it is declared in the first lines of this bill that a tax is levied upon the entire net income of all the citizens of this country, we have exercised all the power we have. If we

desire to limit ourselves to net income, we can not define "net income"; we can not say what shall be included in income and what shall not be included in income. We are only preparing ourselves for delay, for disappointment, and possible defeat if we endeavor to interpret the meaning of the word "income."

Mr. SHIVELY. Mr. President—

The PRESIDING OFFICER (Mr. CHILTON in the chair). Does the Senator from Iowa yield to the Senator from Indiana?

Mr. CUMMINS. I do.

Mr. SHIVELY. I can readily agree with the Senator that the courts will finally give a definition of "income"; but that does not prevent Congress from limiting the application of the word in legislation.

Mr. CUMMINS. Not at all. I have so said.

Mr. SHIVELY. If the Senator will observe the words "except as hereinafter provided" in the first subdivision of this section—

Mr. CUMMINS. I have not sought to strike out any part of the limitations save the gift, devise, bequest, or descent, and I do not think there is any man in America, were it not for what precedes those words, who would contend or could contend that a gift or devise or bequest of property or property coming to one by descent is income. I never heard of it being so construed, and it is not possible that it could be so construed. It would not have been put in there were it not for the attempted enlargement of the word "income" contained in the previous part of the paragraph.

Mr. WILLIAMS. How does the Senator think that is an attempt to enlarge it? Tell us specifically to what words the Senator refers.

Mr. CUMMINS. Mr. President, if it has not that effect, or attempted effect, it can have none. It is certainly not an attempt to limit or to restrict the meaning of the word "income"; and if it has not the effect or if it is not thought or if it was not in the mind of the person who drew it to enlarge the meaning of the word "income," then the draftsman of the bill has offended against the first principles of legislation by incorporating language that is absolutely meaningless.

Mr. WILLIAMS. Now, if the Senator will pardon me a moment—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Mississippi?

Mr. CUMMINS. I do.

Mr. WILLIAMS. It was not the intent there to enlarge or to stretch the meaning of the words "net income," which is the income referred to here, and not gross income at all.

Mr. CUMMINS. I have not said it was gross income.

Mr. WILLIAMS. The Congress in undertaking to specify what it proposes to tax does undertake neither to enlarge nor to restrict the meaning of the words "net income," but to define their meaning for the purposes of this bill, for the purposes of this taxation. It may be that a court might come to the conclusion that Congress had wrongfully defined the term. If so, the court will correct the definition, and if the court corrects the definition, then this bill will be to that extent altered or changed; but the contention is that this is a correct definition of the articles which, under a bill seeking to tax net incomes, will be taxed. The question I asked the Senator was in what respect he thinks that this definition enlarges the meaning of the words "net income" or restricts them, either?

Mr. CUMMINS. Mr. President, as I remarked before, if these words qualifying, modifying, and explanatory are not intended either to enlarge or to restrict, they are entirely useless. I think, however, with deference—

Mr. WILLIAMS. Does the Senator think it is useless in a tax bill to try to define the thing you propose to tax?

Mr. CUMMINS. Mr. President, I do think in this instance that it is worse than useless; I think it is dangerous, and I will proceed to show why.

Mr. SIMMONS. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from North Carolina?

Mr. CUMMINS. I do.

Mr. SIMMONS. I readily agree with the Senator in his contention that we have no authority to tax anything except income, and I readily agree with him that, in the last analysis, the court must decide what is income and what is not income; but before the court can get jurisdiction of that question, there must be a levy; there must be an assessment; there must be an attempt to collect. I can see no other way in which the court could possibly acquire jurisdiction. So that before the matter can ever reach the court there must be some one who will decide the question of what is "income."

Mr. WILLIAMS. And describe the property to be levied upon.

Mr. SIMMONS. And, as the Senator from Mississippi very properly says, describe the property to be levied upon. The Senator from Iowa says, as I understand him, that it is not competent for the Congress to define what is income and what is not income. Then, the only conclusion from the Senator's argument is that we ought simply to levy a tax against incomes and stop. Suppose we should do that, who then can decide the question of what is income and what is not income, seeing that that question must be decided before the court can acquire the jurisdiction to determine the question of whether or not the thing taxed is income?

Are we to leave it to the officers of the taxing branch of the Government to determine what is income? Are we ourselves to hold that we have not the authority to define the word, but that the officer of the law has the authority to define and determine it? It seems to me that is what the Senator's argument would lead to. I may be mistaken about that; he may have some way in his mind by which we could reach a determination of what is income otherwise than through the definition of Congress or through the decision of the officer of the law, but I can not myself see how we would select the things upon which this tax is to operate except through a definition of the word "income" by Congress, or a definition of the meaning of that word by some subordinate officer of the law.

Mr. CUMMINS. Mr. President, the difficulty with the Senator from North Carolina is that he does not distinguish between a requirement in the law for a return to an administrative officer of the various matters included within this paragraph and a declaration that the income shall include these things.

Mr. SIMMONS. Yes; I do. The Senator is mistaken.

Mr. CUMMINS. Mr. President, there is a very great difference. I agree with the Senator from North Carolina that it is quite within the province of Congress to require the citizen to make a return, including his gains and profits and income from his sales and dealings of all kinds. That is entirely within our power; but it is not within our power to declare that these things shall be included in the income.

Mr. SIMMONS. The Senator is mistaken when he says I have not considered that. I have considered that as the third alternative. If Congress has not the power to decide, if the officers of the law charged with the enforcement of the law have not the power to determine, then the only other person who could have the power is the man who is to pay the tax. Would not the Senator's position, therefore, force him into the attitude of maintaining that the proper person, in the first instance, to determine what is income and what is not income is the man who pays the tax, and, next, the court?

Mr. CUMMINS. I do not think so, Mr. President, nor do I think my suggestion leads to that result. I have no doubt about the power of Congress in requiring those who are to make return to include their gains and profits and their dealings of all kinds, and from that return I have no doubt that it is within our power to give to the taxing officer the right to discover the amount of the net income, and, if his judgment be wrong, the taxpayer can question it, and finally the court must determine it. That is not what is sought to be done in this paragraph. We are attempting to define what "net income" is and of what it is composed, and what we may lawfully tax. But I want to read now what this means—

Mr. SIMMONS. Before the Senator leaves that point, does not the Senator think that it would be a great deal better for us, in the first instance, to indicate as best we can what the legislative judgment is as to what constitutes "income" and require the taxpayer to account for his income upon all of those particular things? If we make a mistake and include in our designation of what is "income" something which is not income, but is property, then, of course, the court would come in and settle that controversy. Does not the Senator think that is better than to leave it to the taxpayer to determine in the first instance what is "income," and then leave it to the officer to correct him if he should make an error, and bring it into court in that way?

Mr. CUMMINS. Mr. President, I do not think it is better. There is just this difference between the two courses: The course suggested by the Senator from North Carolina will end, if Congress makes a mistake, in the declaration that the law is unconstitutional and of no effect.

Mr. SIMMONS. Why, Mr. President—

Mr. CUMMINS. Just a moment. The other course will end in a correction of the report of the individual taxpayer, and the law will continue to be enforced according to the Constitution.

Mr. STERLING. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from North Dakota?

Mr. CUMMINS. I do.

Mr. STERLING. I should like to ask the Senator from Iowa if the courts, in construing the word "income," would not take into consideration the usual and ordinary signification of that word?

Mr. CUMMINS. I have no doubt of that, Mr. President.

Mr. STERLING. And the court would have recourse to a standard dictionary, would it not, in construing that word?

Mr. CUMMINS. Unquestionably; and not only so, but to the common acceptance of the word and to the judicial opinions, of which there have been very many, in which the word has been considered.

Mr. STERLING. If in the definition of the word "income" as given in a standard dictionary the words "gains and profits" are also given as synonymous with the term "income" would there be anything wrong in the use of those words in the section to which the Senator refers?

Mr. CUMMINS. I do not think there would be, although they would be wholly unnecessary. But, of course, the point I make has no reference to the use of the words "gains and profits."

Mr. CHILTON. Mr. President, will the Senator allow me?

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from West Virginia?

Mr. CUMMINS. I do.

Mr. CHILTON. I agree with the Senator that the Congress can not add to nor take from the word "income"; but it seems to me the Senator has done injustice to the very language of the bill.

Mr. CUMMINS. I have not pointed out my objection to the clause I am seeking to strike out, for I have not been permitted to advance that far.

Mr. CHILTON. Well, so far as the Senator has gone. Let me offer this suggestion: On page 167, beginning in line 3, it is provided that the "income derived from salaries, wages," and so forth, shall be included. It has to be income before it can be taxed, no matter how it is derived. We could say that only income from salaries or income from property or income from interest should be taxed. We have simply mentioned certain things; but they must be income before they can be taxed. We use the very language of the Constitution.

Mr. CUMMINS. Of course, if that be true, Mr. President, then it is simply saying in another way that these words are entirely meaningless and useless; and I have never favored the introduction of words that can have no other effect than to confuse, even though they have no material bearing. The Senator from West Virginia [Mr. CHILTON], however, is not, as I view it, quite accurate when he says that "income" as used in this paragraph necessarily means such income as gains and profits, in view of what is subsequently found in the paragraph.

Now, allow me to read a little further:

Or from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property.

I was led to offer this amendment largely on account of a colloquy I had with the Senator from Mississippi [Mr. WILLIAMS] the other day, who seems to have become indifferent and who does not regard the matter as worthy of his attention or presence. I recall, however, the Senate to the colloquy that I mentioned a moment ago. I asked this question:

The Senator from Mississippi must certainly understand what I am trying to say. If applied to a general business, in which purchases and sales take place and gains and profits are reckoned, I can very well understand that the Senator from Mississippi is right, under the language of this bill. But suppose 10 years ago I had bought a horse for \$900, and this year I had sold him for \$1,000, what would I do in the way of making a return?

Mr. WILLIAMS. I will tell the Senator precisely what he would do.

Mr. CUMMINS. I mean, what would other men do?

Mr. WILLIAMS. I know; but what I mean is precisely what the Senator would do, or precisely what he ought to do. He bought the horse 10 years ago and sold him this year for a thousand dollars. That thousand dollars is a part of the Senator's receipts for this year, and being a part of his receipts, that much will go in as part of his receipts, and from it would be deducted his disbursements and his exemptions and various other things.

Mr. CUMMINS. Would the price I paid for the horse originally be deducted?

Mr. WILLIAMS. No; because it was not a part of the transactions in that year; but if the Senator turned around and bought another horse that year, it would be deducted.

Mr. CUMMINS. Mr. President, the answer of the Senator from Mississippi has disclosed very clearly the weakness that I have been attempting to point out.

I am not sure, Mr. President, and I do not assert, that these modifying, qualifying, and explaining phrases will render the effort of Congress unavailing. I do not assert that they must necessarily be construed as unconstitutional. I do assert, however, that we are putting the law in a jeopardy which may easily be avoided. If the answer made by the Senator from

Mississippi to the question I propounded day before yesterday is correct, then the law is unconstitutional.

Then there is an effort here to convert what is obviously principal into income, and it was because the distinguished Senator from Mississippi held that view of the paragraph that I introduced the amendment that is now pending.

I do not intend to continue the argument further. I will only say that I believe the words that are used here can perform no useful function. I believe that in describing what is to be taxed the words "net income" are as comprehensive and as complete as any words that can be found in the English language, and therefore that we ought not to imperil or hazard the bill by attempting to emphasize them or to explain them or to enlarge them.

If the Senate will return to the paragraph immediately before this—and it is typical of two other provisions in the bill, I think—it will be seen that there is an effort to declare that undivided profits in a corporation shall be reckoned as income of the shareholders. In my opinion that can not be accomplished in any such way. The undivided profits are not the property of the shareholder, from a legal standpoint. Although he may be in part the equitable owner of all the property of the corporation, he is no more the equitable owner of the undivided profits than he is the equitable owner of a share in all the property of the corporation. I agree that there ought to be some way of reaching these undivided profits; but just so surely as you attempt here to broaden the meaning of the word "income" so as to make it include property that belongs to a corporation which it might distribute to its shareholders, but which it has not distributed, you will imperil the bill and meet disaster when you come to enforce it.

I pass now from the legal question to another subject that is closely associated with it, and I reach a question of policy. I come to the part of the committee amendment on page 169. I grant that here we are within the field of complete authority, so far as Congress is concerned. Congress can deduct from an income, in order to reach a taxable part of the income, anything it pleases. It can deduct a quarter of it, or it can deduct a half of it, or it can deduct all of it. This, therefore, does not relate to the constitutional authority of Congress.

I read from the committee amendment:

That in computing net income for the purpose of the normal tax there shall be allowed as deductions: First, the necessary expenses actually paid in carrying on any business, not including personal, living, or family expenses.

I have no objection to that, although I think there will be vast difference of opinion in regard to the construction or meaning of the word "personal."

Second, all interest paid within the year by a taxable person on indebtedness.

I have objection to that. This whole paragraph is framed upon the idea that the capital of the individual must be protected intact, must be preserved; that he can use any part of the income he likes for the repair of the capital with which he entered the year and have it deducted from the income. The principle is wrong. It ought not to be in any income-tax law. It is not a part of the purpose of an income-tax law to guarantee that the capital shall be maintained. If the capital is lost, there will be a diminished income the following year upon which to levy the tax; but the taxable income should not be depleted by withdrawing from it a sum sufficient to maintain the capital, unless the income arose out of a business in which the capital was employed.

Third, all national, State, county, school, and municipal taxes paid within the year, not including those assessed against local benefits.

There can be no objection at all to that deduction.

Fourth, losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise.

This deduction is partly right and partly wrong—partly so wrong that it is utterly indefensible.

Suppose I earned \$20,000 a year in the practice of my profession, and during the same year I speculated upon the Board of Trade in Chicago and lost \$20,000, I would not be taxable at all under this provision.

Mr. WILLIAMS. How does the Senator arrive at that conclusion?

Mr. CUMMINS. Simply because I have lost \$20,000 in trade, and it would not be compensated for by insurance.

Mr. WILLIAMS. Does the Senator call speculation in futures trade?

Mr. CUMMINS. Certainly it is trade. Why, the very organization through which it is carried on is called a board of trade. It is trade in the most literal sense of the word.

Mr. WILLIAMS. It is no more trade than betting on a horse race.

Mr. CUMMINS. I say it is trade. The Senator from Mississippi says it is not. But suppose I had bought 10,000 bushels of oats from a farmer and had lost \$5,000 on it. That would be trade, would it not? I was not including the speculating or the gambling idea in the suggestion I made a moment ago. But it is trade as pure and simple as any other form of business; and yet because I had lost a part of my capital in doing a business that was entirely disconnected with the profession out of which I earned my income, I could use a part of my income to repair my capital and deduct it in my return.

There is no equity in it. There is no reason in it. There is no principle in it. As it seems to me, we ought to confine losses in business or in trade to the losses in the business or the trade out of which the profit or the income is made; and we ought not to permit an income derived from one source to be used for the purpose of paying either debts or losses incurred in some entirely distinct business or trade.

Mr. BRANDEGEE. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Connecticut?

Mr. CUMMINS. I do.

Mr. BRANDEGEE. I wish to ask the Senator whether, in his opinion, the profits of speculation would be a part of the income which should be taxed?

Mr. CUMMINS. Undoubtedly; unquestionably.

Mr. BRANDEGEE. Then why should not the losses incurred be deducted?

Mr. CUMMINS. There is no more doubt about it than that two and two make four. I assume that the Senator from Mississippi was not serious in the comment he made.

Mr. BRANDEGEE. My inquiry is, If the profits made from the speculation which the Senator from Mississippi thinks would not be trade would be a legitimate object of taxation as income, why would not the losses incurred in the same speculation be a legitimate deduction from income?

Mr. CUMMINS. They should be if the business, being reckoned up at the end of the year, shows a profit. Then it becomes a part of the income and should be taxed. If it shows a loss, there would be no income arising from it, and it should not be taxed. But it is proposed here that if one is engaged in that sporadic business in which so many Americans are engaged, and in which so large a part of our incomes are dissipated, he can take the profit or the income he has from some other vocation or profession or trade and use that profit or income to make good his losses in the speculation or trade to which we have referred.

Mr. GALLINGER. Mr. President, if the Senator will permit me, departing from the argument as to the purchase of stocks in the market, how would it be if a man legitimately bought, say, railroad stocks? As an illustration, not long ago the stock of the Boston & Maine Railroad Co. was selling at over 200 a share. To-day it is selling at 63. Suppose a man bought a thousand shares of it at the former price, would the loss he sustained be a proper deduction?

Mr. CUMMINS. Undoubtedly, if it could be called "in trade." The general purpose of this paragraph is to insure the capital of the person, so that at the end of the year the capital will be as great as it was at the beginning of the year. There are exceptions to that here; but that is the general idea of the paragraph, and it is a false idea in the preparation of an income-tax law.

Mr. SHIVELY. If his losses were actually greater than his gains, there would be no net income.

Mr. CUMMINS. Yes; that is true. That is, if a man had \$100,000 of property at the beginning of the year and it was destroyed in some fashion or other, or if he embarked it in a venture of any kind and lost that property, even though he had an income of \$100,000 from some other source, he could take the income from the other source and repair his losses of capital and have no income. That is the purpose of the paragraph. If you think that is right, you have expressed it very well.

Mr. SHIVELY. Let us take the illustration the Senator has just used. Suppose he has \$100,000, half of which is embarked in buying and selling grain and the other half in buying and selling live stock. Suppose in the grain business he loses \$5,000 during the year and in the live-stock business he gains \$5,000 during the year. Would the Senator say there was any net income?

Mr. CUMMINS. I think there would not be.

Mr. SHIVELY. Then I do not understand the objection of the Senator to this particular clause of the bill.

Mr. CUMMINS. The objection is this: In the case just put by the Senator from Indiana, here is a business in which a man is engaged. At the end of the year it is to be ascertained

whether there is any net profit growing out of the business. Of course all the losses are considered, all the gains are considered, and the result determines whether there is any income from the business. But I put the case again: Suppose I am not in business at all, but I have \$100,000 a year coming to me from the rent of property. I take \$100,000 and invest it in a mine in Utah, and during the year I reach the conclusion that the mine is not worth anything. I deduct that \$100,000 from the \$100,000 of rent I have received, and the result is that I am a man without an income. If that is the real purpose of the framers of the bill it is exceedingly well phrased.

Mr. SHIVELY. You would be without a net income for that year, of course.

Mr. CUMMINS. I did not suppose it was intended to do anything of the kind. In the case I have just put I did not suppose it was intended to guarantee a man's capital and to repair all the losses he might sustain in any venture into which he might enter. I do not believe that is a fair foundation for an income-tax law.

Mr. SHIVELY. But, Mr. President—

Mr. CUMMINS. If the Senator will permit me to proceed just a little bit further, he will see the full scope of my views.

Mr. SHIVELY. Very well.

Mr. CUMMINS. We then come to debts:

Fifth, debts due to the taxpayer actually ascertained to be worthless and charged off within the year.

Suppose 10 years ago a man had given me his note for \$100,000. I had thought it to be good. I had carried it as a part of my principal, a part of my property. This year I have an income of \$100,000 arising from the practice of the law or from rents or anything else. I discover this year that the man who made that note, who has had nothing to do with my income, who has not contributed in any way toward it, who is not in any way interested in the business out of which my income arises, has become bankrupt and that he never will pay the note. I am permitted by this bill to deduct \$100,000 from my income, and again I am a man without an income, although I had just as much income as though the man had remained solvent. I have simply lost a part of my capital or property, and it is proposed here to repair that loss by deducting its amount from my income. I do not mean now, of course, that it is repaired in the sense of being made good, but it is repaired to the extent of not making me pay a tax upon the income.

Mr. WILLIAMS. Will the Senator permit me to make a suggestion?

Mr. CUMMINS. Certainly.

Mr. WILLIAMS. A part of the Senator's confusion of thought grows out of the fact that he forgets that in all bookkeeping there is a debit side and a credit side. A man would have counted among his credits this note that he thought was good, and that would go in as a part of his gross income. Now, mind you, I say "gross income." Then he ascertains that it is worthless, and this provision permits him to charge it off and deduct it; that is all.

It is just like the Senator's horse illustration the other day, which proceeded upon the idea that a man did not keep any books, and that, when he got a thousand dollars for a horse, in rendering his return for the receipts of \$1,000 he did not also debit himself with the fact that he had lost the horse. It was the profit involved in the horse trade that was taxable, not the total receipts for the horse.

Here you are making a serious argument that we should not permit a man to strike off a worthless note after he has made return of all his bills payable as a part of his income, or the things that constitute a part of his income. You are really altogether losing sight of the fact that there is another side to the ledger.

Mr. CUMMINS. No, Mr. President; I am not. I am not in the least confused about bookkeeping.

Mr. WILLIAMS. Any man would have a right to strike off that note if he had put it on the other side of the ledger.

Mr. CUMMINS. Of course profits do not consist in the difference between the amount of assets and the amount of liabilities. A man might have \$100,000 of assets and but \$10,000 of liabilities, and not have any income at all. The Senator from Mississippi apparently forgets the way in which people arrive at their profits or their losses.

Mr. GALLINGER. Mr. President, I had supposed, from a casual reading of the bill, that the loss had to be sustained during the year; but I infer from what the Senator says that it may date back.

Mr. CUMMINS. Oh, it may date back indefinitely.

Mr. GALLINGER. As an illustration, a man abandons his profession, as I abandoned mine, and turned over my books to a collector, and he reports to me during the next year that he

finds \$6,000 uncollectible. Would that enable me to come here and say that I had sustained that loss under the terms of the bill?

Mr. CUMMINS. Certainly.

Mr. GALLINGER. I think that is extraordinary.

Mr. CUMMINS. The difficulty is, if I may again remind the Senator from Mississippi about bookkeeping, that this provision has in view men who are carrying on a business such as merchandising or banking or manufacturing. Those are the conditions which are really covered, and accurately covered. I have not a word of objection to the bill as it relates to such enterprises. But when you come to apply the bill to nine men out of ten who will be called upon to pay a tax under it, it is not accurately adjusted to their affairs, nor is it expressed so as to do justice to their affairs. When you come to profits and losses and incomes, you can not group all the individuals of this country under one rule. You must make some allowance for the differences which exist in the way in which they earn their incomes and in the way in which they expend their incomes.

I proceed one step further:

Sixth. A reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business.

That is another effort, of course, to maintain the capital intact; but see what endless difficulty you will confront in its administration. A farmer in my own State, we will say, has an income of more than \$3,000. In making up his account he must determine, if he can, to what degree the soil which he is cultivating has been exhausted, and somebody will have to make him an allowance for the depreciation caused by the exhaustion of the soil. That is true with regard to every kind of property. While there is a certain justice in doing that and it will be done among concerns which do keep an account of depreciation, and which do charge up every year a fair percentage of depreciation, and in that way reach the amount of their profits, so that they will have no difficulty about it, the ordinary man will find it impossible to apply this clause to his affairs. There ought to be a better considered provision to take care of the great multitude of the people, nine-tenths of the people who must pay and will pay the tax under this bill when it becomes a law.

Of course, as to mines a maximum of depreciation has been fixed. I have no objection at all to that. But I could stand here and mention a hundred instances of depreciation which it will be utterly impossible to ascertain or apply under this provision.

I say this without the least feeling against the provision. I would vote for it just as it is if I had to, and it were separated from the rest of the bill, so strongly am I in favor of levying duties upon incomes. But when we are beginning this system it seems to me we ought to begin it in the best possible way.

I shall have something more to say at a later time with regard to the latter part of this paragraph when we come to consider the payment of the tax at its source. I am in favor of that principle; but there are a great many things here that it seems to me will make the bill utterly unworkable, and instead of simplifying the collection of the tax they will complicate it, and possibly entirely defeat it.

There is one thing in regard to this provision that I might as well say while I am on my feet, and it constitutes the real fundamental defect in the bill, so far as principle is concerned. I will point it out now, and at a later time I will point it out again. The bill provides, substantially, that those who have incomes of less than \$3,000 shall not pay a tax. I am satisfied at the present time with that limit, and I would not vote to reduce it at this time. But there is incorporated here a provision for taxing the earnings of corporations. I have no objection to that, but the men and women in this country who have an income of less than \$3,000 a year and who derive all of it or a part of it from the dividends of corporations which are taxed are compelled to pay the income tax exactly as though they had an income of more than \$3,000 a year. It is unjust, it is unequal, and it ought in some way to be remedied. We have assumed here that a man might well take his first \$3,000 and use it for the general purposes of life, for the training and education both of himself and family; but with respect to every one of them who derive a part of their income or all of it from the dividends of corporations they are compelled to pay this tax, are they not?

Mr. WILLIAMS. How are they compelled to pay it?

Mr. CUMMINS. They are compelled to pay it because the corporation pays the tax on the entire income of the corporation, and that reduces the dividends paid to these people by just the amount paid in the way of the income tax.

Mr. WILLIAMS. Mr. President, the Senator's answer to my question has disclosed what I wanted to bring out. In other words, instead of meaning that the bill taxes those people, he means that the corporations are able to shift their tax.

Mr. CUMMINS. So they are.

Mr. WILLIAMS. I should like to know if there is a tax in the world, except a poll tax, that can not be shifted.

Mr. CUMMINS. The Senator from Mississippi has misunderstood me. Of course, the corporation very often passes on its entire tax. That unfortunately is true. I do not know of any way in which to prevent it. I am not complaining at this moment of the tax that is passed on. I am complaining of this. As an illustration, suppose I stand with an income of less than \$3,000. It is the policy of this bill that my income shall not be diminished by a tax levied by the General Government. If I have that income as an employee of the corporation, it goes free. It is not affected by any tax levied upon the property of the corporation. I get my pay and I am permitted to spend it in the way that seems to me wise. Now, suppose that I have an income of \$2,900 from the same corporation, derived as dividends on stocks that I hold in the corporation, the 1 per cent is taken from that dividend and I receive just 1 per cent less than I would have received if the tax had not been levied.

Mr. WILLIAMS. It is taken from the dividends by whom?

Mr. CUMMINS. It is taken from the dividends necessarily by the corporation. It is first taken from the corporation by the Government. Here is \$100,000—

Mr. WILLIAMS. That is just what I said a moment ago. The corporation shifts the tax.

Mr. CUMMINS. No; here is \$100,000 which the corporation has earned and is applicable to the payment of dividends. We will suppose that it is the entire net income of the corporation. It is to be distributed among its stockholders, but before it is distributed 1 per cent is deducted and paid to the Government of the United States, and therefore 1 per cent less than would have been paid to me is paid to me. It is all that I am entitled to.

Now, I make no objection to the payment on the part of the corporation, but I do say we ought to provide some way in which the man who has an income of less than \$3,000 should not bear that tax.

Mr. WILLIAMS. How can you do that?

Mr. CUMMINS. There are two or three ways in which it can be done. It can be done either through segregation by the corporation under proper provisions, or it can be done by adding to the bill a paragraph that, in the case of every man whose income is derived in whole or in part from the dividends of a taxed corporation and is less than \$3,000, upon application to the Government the Government will reimburse him for the deduction that has been made from his part of the earnings of the corporation. It can be done in either of those ways, and will be if justice prevails.

But I had not intended to enter upon that subject. I have it very much at heart, and when we reach that part of the bill I intend, if I can, to offer an amendment that will set forth my views with regard to that particular matter.

Mr. SUTHERLAND. Before the Senator leaves the matter of a corporation tax, I wish to say that I think perhaps most of the States in the Union in one form or another impose a tax upon corporations as such. It is not always measured by the income. Sometimes it is measured by the amount of the capital stock. It is measured in various ways; but it is a special tax upon the corporation, because it is recognized that the right to do business in corporate form is a very valuable right and that it is more beneficial to the stockholder in the great majority of cases to have an investment in corporate form than it is to have it in some individual form.

Now, I ask the Senator whether or not a tax of this kind, although it is imposed by the General Government, can not be justified upon the same theory that it is a tax upon the franchise of the corporation, upon the right of the stockholders to do business in a corporate form, which is a valuable right.

Mr. CUMMINS. I am not complaining of the tax upon the corporation; I have always thought there was a better way of reaching that result; but I am not concerning myself about it now. I want to remind the Senator from Utah that we establish a policy here that the men who get less than \$3,000 ought not to pay any part of this income tax either nominally or actually. That proceeds upon the theory that they can make better use of their incomes than to pay the expenses of the Government of the United States. Now, it does not make any difference whether the incomes are derived from the stocks of corporations or whether they are derived from salaries from corporations, the men who get the money need the money just the same.

Mr. SUTHERLAND. Mr. President, there is this difference: The man who derives an income from an investment in a corporation gets it with less effort than he does if he has to work for it. He has the advantage of having his money in a corporation which has certainly very valuable rights. For example, he has one of the most valuable rights, namely, that he can not be sued beyond the extent of his investment in the corporation. He can not be held responsible for the debts of the corporation as he could be if it were a partnership or in some other form of association.

Mr. CUMMINS. I think that consideration does not enter the question I am discussing at all. Suppose one man gets \$2,850, we will say, as dividends from a corporation. Another man gets \$2,900 as rents from real estate. Out of the former there has been taken 1 per cent. Out of the latter there is taken nothing. I assume that the labor of receiving it is not much greater in one case than in the other. It matters not that the corporation may have a valuable franchise; however valuable it was, its dividends did not result in giving this particular man more than \$3,000, and therefore he ought to be able to hold his place among the untaxed.

I have consumed much more time than I intended, Mr. President, and I apologize for it. I rose simply to suggest the desirability of removing from this paragraph some dangers which I think are in it and the removal of which would not weaken it in the slightest degree, but rather fortify it against assaults that may hereafter be made upon it.

Mr. SUTHERLAND. Before the Senator takes his seat, he referred to another paragraph, and if I understand it I entirely agree with the Senator's position. It is the clause on page 169:

Second, all interest paid within the year by a taxable person on indebtedness.

If I understand that, it would result in this sort of a situation: Here is one man, for example, who has purchased a home. He has given a mortgage upon it for its price or a large part of it, and is paying, let us say, \$1,000 in interest. Under this bill that would be deducted from his net income. But if his neighbor has rented a house, and instead of virtually paying what the first-named man does in the form of interest he pays directly \$1,000 rent. He gets no deduction whatever, and yet the situation of the two is to all intents and purposes precisely the same. One has made a purchase and is paying interest which virtually amounts to rent. The other has not made a purchase, but pays the rent direct. One gets the exemption and the other does not.

Mr. CUMMINS. I think the conclusion of the Senator from Utah is correct. It is simply another illustration of the fact that the bill was composed to meet the conditions of organized business, such as merchants and manufacturers, and is not well fitted to meet the situation as it actually exists.

I do not intend to call for the yeas and nays upon my amendment. I know how futile it would be, and I have no desire to inconvenience the Senate. I offered it because I wanted to make my own position in the matter entirely clear.

Mr. WILLIAMS. Mr. President, I will ask for a vote.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Iowa [Mr. CUMMINS].

The amendment was rejected.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Committee, on page 167, lines 18 and 19, inserting the words "or upon surrender of the contract."

The amendment was agreed to.

The next amendment of the committee was, on page 167, after line 19, to strike out the following:

That in computing net income for the purpose of the normal tax there shall be allowed as deductions the necessary expenses actually incurred in carrying on any business, not including personal, living, or family expenses; all interest accrued and payable within the year by a taxable person on indebtedness; all National, State, county, school, and municipal taxes accrued within the year, not including those assessed against local benefits; losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise; debts actually ascertained to be worthless and charged off during the year; also a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made; no deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property or estate; the amount of income received or payable from any source at which the tax upon such income, which is or will become due, under the provisions of this section, has been withheld for payment at the source in the manner hereinafter provided, shall be deducted; but in all cases where the tax upon the annual gains, profits, and incomes of a person is required to be withheld and paid at the source as hereinafter provided, if such annual income, except that derived from interest on corporate or United States indebtedness, does not exceed the rate of \$4,000 per annum, or if the same is uncertain, indefinite, or irregular in the amount or time

during which it shall have accrued, and is not fixed or determinable, the same shall be included in estimating net annual income to be embraced in a personal return; also the amount received as dividends upon the stock, or from the net earnings of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income as hereinafter provided shall be deducted.

And in lieu thereof to insert:

That in computing net income for the purpose of the normal tax there shall be allowed as deductions: First, the necessary expenses actually paid in carrying on any business, not including personal, living, or family expenses; second, all interest paid within the year by a taxable person on indebtedness; third, all national, State, county, school, and municipal taxes paid within the year, not including those assessed against local benefits; fourth, losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise; fifth, debts due to the taxpayer actually ascertained to be worthless and charged off within the year; sixth, a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per cent of the gross value at the mine of the output for the year for which the computation is made; *Provided*, That no deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments made to increase the value of any property or estate; seventh, the amount received as dividends upon the stock or from the net earnings of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income as hereinafter provided; eighth, the amount of income, the tax upon which has been paid or withheld from payment at the source, under the provisions of this section; *Provided*, That whenever the tax upon the income of a person is required to be withheld and paid at the source as hereinafter required, if such annual income does not exceed the sum of \$3,000 or is not fixed or certain or is indefinite or irregular as to amount or time of accrual, the same shall not be deducted in the personal return of such person.

Mr. STERLING. Mr. President, I do not rise to propose any amendment, but simply to make a suggestion called out by a statement made by the Senator from Iowa [Mr. CUMMINS]. It is in regard to the exemptions on account of losses incurred in trade, and so forth. The question was raised as to whether it would include losses in speculation on a board of trade. I am inclined to think that under the definition of "trade" it would include losses thus sustained, and the question is whether we want to exempt losses thus incurred.

I call the attention of the Senator from Mississippi simply to the definition of the word "trade," so that he will see how the proposition stands:

Trade comprehends every species of exchange or dealing, either in the produce of land, in manufactures, in bills, or in money; but it is chiefly used to denote the barter or purchase and sale of goods, wares, and merchandise, either by wholesale or retail.

And so forth.

It seems to me that under this very broad and comprehensive definition it might include trade on a board of trade and the exemption would pertain to a loss sustained on a board of trade.

If the language could be qualified by some such expression as "losses incurred in legitimate and ordinary trade pursued by the party," or equivalent words, it seems to me that it would be better than the broad expression used.

Mr. WILLIAMS. Mr. President, all net income comes from a comparison of receipts and losses. There can be no other way of arriving at a net income except by comparing gains and losses. If a man lost a certain amount of money during the year, no matter how he lost it, he ought not to be compelled to put it in as a part of what he still has. If two men bet upon a horse race, so far as that is concerned, during the year and one of them lost \$100 and the other gained \$100, the man who has the hundred dollars would have to take heed of it in computing his net income, and the man who lost it would take heed of the loss in computing his net income. So far as I can see, you can not arrive at net income except by taking what comes in and what goes out.

Mr. STERLING. But, if the Senator will permit me—

Mr. WILLIAMS. Allow me to add just this: I think this language would have been more easily understood if, instead of using the word "deductions" here, we had used what it really means, namely, that in computing net income for the purpose of the normal taxpayer he shall be allowed to return such and such things. I think that is where the confusion comes in, if I understand at what the Senator is aiming.

Mr. STERLING. This is the way in which it occurred to me: Here is a man who, under the protection of the Government, has an enormous income for which he would be taxable under this proposed law, but he squanders all that income or more in speculation, in illegitimate trade on the board of trade. The question in my mind is whether he ought to have the privilege of deducting from his income the losses thus sustained.

Mr. WILLIAMS. Mr. President, a squandered income is no income. If it was squandered during the year of the computation, it does not make any difference how the man lost it. Take this sort of a case, for example: The Senator from South Dakota and the senior Senator from Iowa seem to be worried a good deal about the losses of a man in something else. The

Senator from South Dakota seems to have the idea in his mind that if a man was both a farmer and a lawyer he ought to keep two separate income accounts, and that what he lost as a farmer ought not to be charged up against what he gained as a lawyer, or vice versa, as well as I could understand him; and he seems to be very much worried about a part of a man's capital, if it were lost, being permitted to be charged off.

Now, take this sort of a case: I am practicing law, let us say, and I get \$10,000 during the year from that practice, and during the same year I lose \$5,000 in my agricultural pursuits. My net income, therefore, so far as that is concerned, is \$5,000. Suppose that my house, which is worth \$5,000, burned down; suppose the house burned by no fault of mine; that I had no insurance upon it; and I take my \$5,000 and pay it out during that identical year to build a new house. If all three of these things happen in the same year, I have no net income at all; nor ought I to be charged with any.

Mr. STERLING. Mr. President, I grant that in the case supposed by the Senator from Mississippi he should not be charged with any net income, because his losses were sustained in a legitimate business—in a commendable business. But in the other case the loss has not been sustained in that kind of business at all; but, whether a man having earned \$10,000 as a lawyer or as a physician, should be allowed to offset against or deduct from that income of \$10,000 that which he has lost in speculation on a board of trade, is the question.

Mr. WILLIAMS. Mr. President, the object of this bill is to tax a man's net income; that is to say, what he has at the end of the year after deducting from his receipts his expenditures or losses. It is not to reform men's moral characters; that is not the object of the bill at all. The tax is not levied for the purpose of restraining people from betting on horse races or upon "futures," but the tax is framed for the purpose of making a man pay upon his net income, his actual profit during the year. The law does not care where he got it from, so far as the tax is concerned, although the law may very properly care in another way.

Mr. STERLING. If the Senator will permit me, suppose a man has made \$10,000 legitimately in a legitimate business or profession; the inspector or collector knows that; and a tax is levied because of that income, or it is attempted to be levied, and the man says, "I lost \$10,000 in a poker game," what then?

Mr. WILLIAMS. Suppose, in other words, that at the time the computation of his tax takes place he has not a red cent of profit or income during that year, no matter how it occurred?

Mr. SMOOT. Some one must have won what the other man lost in the poker game.

Mr. WILLIAMS. By the way, it is suggested to me that one man has gained what the other has lost, and that the winner might be taxed on his winnings, so the Government would not lose anything.

Mr. WEEKS. Mr. President, I should like to ask the Senator from Mississippi to give me his opinion on a case which I will put to him. Suppose a man has a hundred thousand dollars in stocks, which are worth par; that they are selling at that price; and a dividend of 5 per cent is paid on them; in other words, he gets \$5,000 income from his investment, he earns \$5,000 from his personal efforts during the year, and his income is \$10,000 for that year; then suppose his stocks depreciate in value \$10,000, has he any net income for that year?

Mr. WILLIAMS. I never thought about that, but I do not think that cuts any figure because the depreciation in the value of the stock is not like a depreciation by reason of the wear and tear arising out of the use of property. A man's income would still remain an income regardless of the value of his property. My plantation this year might yield me, say, \$3,000, and next year the same plantation might yield me \$4,000 or \$2,000; my income would be measured by what the plantation yielded me and not by the value of the plantation. Meanwhile the property might go up in value or it might go down in value. That would have nothing to do with the income, nor would the value of your stock in the market have anything to do with the dividends which you receive upon your stock.

While I am talking upon that subject, there is another point that occurs to me, and that is what the Senator from Iowa [Mr. CUMMINS] went over a few moments ago. If the Senator from Iowa can invent any way under the sun of preventing the shifting of taxation, he is the wisest man who has lived since Solon died. The Senator seems to think that you ought to give a bounty to people who have less than \$3,000, provided their income comes in the shape of dividends in corporations, because when the corporation was taxed the corporation reduced the dividends. It may be that the corporation did, and it may be that it did not, but I am going to suppose first that it did. Suppose it did shift the tax in that way, do you imagine that the man

who works for a salary for that corporation will not have a part of it shifted on him, too, in the way of not raising his wages as much as they otherwise would have been raised? Do you suppose that the merchant or the lawyer who pays the income tax is not going to make it up somehow in the price of his goods or in the price of his services, if he can do it, if the demand and supply of the market for the goods or for his peculiar sort of ability enable him to do it? And absolutely it is proposed to give the man with less than \$3,000 a bounty because a corporation has shifted its tax to him.

Mr. WEEKS. Now, I want to submit an additional inquiry to the Senator from Mississippi, relating to the case which I have already submitted to him, and that is: Suppose at the time those stocks were selling at 10 per cent below what they were selling for the previous year, I sold them for \$10,000 less than they were priced at the year before, is that to be deducted from my income?

Mr. WILLIAMS. I think not. That is a mere change of capital and principal from stocks into money.

Mr. WEEKS. It seems to me that it would be deducted.

Mr. WILLIAMS. Do you mean that in casting up your accounts and arriving at your gross income, you do not count that? Of course, you would count it as you would count any money that you got from any source, but you would charge against it also what was regarded as the value of the stock.

Mr. WEEKS. It seems to me, Mr. President, that it would be a shrinkage of my principal; and, under the reading of this bill, I am not sure but what that loss of principal could be deducted against my income, so that there would be no taxes.

Mr. WILLIAMS. Under what clause of the bill? What provision of it do you mean? Does the Senator refer to the depreciation clause?

Mr. WEEKS. Yes.

Mr. WILLIAMS. Oh, no. It says:

Sixth, a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business.

That could not possibly refer to stocks.

Mr. CUMMINS. Mr. President, in response to the suggestion just made by the Senator from Mississippi, let us see how we stand. He says that a man at the end of the year sits down to make up an account to see whether or not he has any net income. If he is a merchant, he takes an inventory of his goods; if they are worth less than they were the year before, they are marked down, and the market value of that property is entered upon the books in order to show whether or not he has made a profit during the year. According to the Senator from Mississippi, the same thing would happen with a lawyer. He sits down at the end of the year and puts on one side of the account all he has taken in, all his profits, and he puts on the other side all his losses. If his losses are to be reckoned in the same way that the merchant's losses are reckoned, then, of course, the depreciation of all the property that he may own, if there be a depreciation, must also be entered upon the books.

That shows, Mr. President, that, while the Senator from Mississippi is right with regard to ascertaining the profits and net income of business, he is not right, and the bill does not adjust itself to the ascertainment of net income of individuals who are not in what is ordinarily known as business.

Mr. WILLIAMS. What is the Senator complaining of—that they can not charge off anything to depreciation account, while the merchant can?

Mr. CUMMINS. I do not think they ought to be permitted to charge off depreciation of their property.

Mr. WILLIAMS. Well, that is a different proposition. I supposed that probably the Senator thought the lawyer also ought to be allowed to do it, and that we also should be allowed to charge the depreciation in our mental faculties, which would be pretty hard to estimate. [Laughter.]

Mr. CUMMINS. I am not. I am speaking against the principle.

Mr. WILLIAMS. I do not know but that the Senator is right about the general idea that no depreciation ought to be allowed to be deducted. There may be something in that suggestion, but it has been almost the uniform policy of all income-tax laws to permit it.

Mr. CUMMINS. I simply want to record my protest against that principle.

Mr. STERLING. I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 169, line 15, it is proposed to strike out the words "in trade" and insert "by the taxpayer in the pursuit of any ordinary and legitimate trade or business."

Mr. STERLING. If the amendment were adopted, the provision would read:

Losses incurred by the taxpayer in the pursuit of any ordinary and legitimate trade or business.

Mr. WILLIAMS. In other words, you are going to count the man as having money which he has not got, because he has lost it in a way that you do not approve of.

Mr. STERLING. And I think rightly so.

Mr. SMOOT. Mr. President, I should like to ask the Senator what becomes of the man who is a broker and whose whole business is dealing upon the stock exchange? Does the Senator think that he ought to be taxed upon his income; and, if so, should not that man be allowed to deduct whatever loss he may incur in that particular line of business?

Mr. STERLING. I think so, because I think the business of the broker, as a general proposition, is a legitimate business; but the amendment would exclude losses sustained in stock and grain gambling; that is the idea.

Mr. SMOOT. The Senator differentiates, then, between the broker who does nothing else but follow that business and the man who does it "on the side"?

Mr. STERLING. Oh, no. A man may occasionally engage in the brokerage business, and, taking a particular deal, it may be perfectly honest and legitimate; or he may be a regular broker engaged continuously in a business which is legitimate. My only object in suggesting this amendment is to prevent, if it can be done, what might be termed the setting off of a loss in a strictly gambling operation.

Mr. McCUMBER. Let me ask the Senator a question right there. If the successful party in the gambling operation—and I always supposed that what one man loses the other man gains in a straight gambling contract—makes \$10,000, would not the Senator charge it up to him as taxable income?

Mr. STERLING. I do not know but that I would; and I do not think there would be any injustice or wrong in doing so.

Mr. McCUMBER. Very well. Then, if the Senator taxes him once upon that, why should he seek to tax that same \$10,000 twice, both to the man who lost it and to the man who gained it?

Mr. STERLING. The same supposition might be made in other cases, so far as that is concerned. You do not always avoid double taxation.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from South Dakota [Mr. STERLING].

The amendment was rejected.

The VICE PRESIDENT. The question recurs on the amendment reported by the committee.

The amendment was agreed to.

The reading of the bill was resumed.

The next amendment of the Committee on Finance was, in section 2, page 170, at the beginning of line 22, to strike out the letter "C"; in line 25, after the word "possessions," to strike out "the principal and interest of which are now exempt by law from Federal taxation," so as to read:

That in computing net income under this section there shall be excluded the interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions; also the compensation of the present President of the United States during the term for which he has been elected, and of the Judges of the supreme and inferior courts of the United States now in office, and the compensation of all officers and employees of a State or any political subdivision thereof.

The amendment was agreed to.

The next amendment was, in section 2, page 171, after line 6, to strike out:

D. That there shall be deducted from the amount of the net income of each of such persons, ascertained as provided herein, the sum of \$4,000: *Provided*, That only one deduction of \$4,000 shall be made from the aggregate income of all the members of any family composed of one or both parents and one or more minor children, or husband and wife, but if the wife is living permanently apart from her husband she may be taxed independently; but guardians shall be allowed to make deduction in favor of each and every ward, except that in case where two or more wards are comprised in one family and have joint property interests the aggregate deduction in their favor shall not exceed \$4,000; and

And insert:

C. That there shall be deducted from the amount of the net income of each of said persons, ascertained as provided herein, the sum of \$3,000, plus \$1,000 additional if the person making the return be a married man with a wife, living with him and being herself not taxable under the income-tax law, or plus the sum of \$1,000 additional if the person making the return be a married woman with a husband living with her and being himself not taxable under the income-tax law; but in no event shall this additional exemption of \$1,000 be deducted by both a husband and a wife. If the person making the return shall be a married man or a married woman there shall be an additional exemption of \$500 for each minor child living with and dependent upon the taxable parent, but the total exemption on account of children shall not exceed \$1,000: *Provided*, That the additional exemption or exemptions for children shall operate only in the case of

one parent in the same family, and that the total exemption on account of children shall apply to a widow or a widower with a minor or dependent child or children: *Provided further*, That where both parents are taxable under this act because of having more than \$3,000 of net income each the exemption on account of the children hereinbefore provided for shall not apply to either.

Mr. BRISTOW. I call attention to the words beginning in line 25, on page 171, reading:

Plus the sum of \$1,000 additional if the person making the return be a married woman with a husband living with her and being himself not taxable under the income-tax law.

Does that presume that a married woman with an income has a husband whom she has to support and therefore there ought to be an exemption because of that burden upon her?

Mr. WILLIAMS. It presumes that where she has the money she ought to pay the tax. The object of it, Mr. President—not to follow up the form of the Senator's question, which would lead me into digressions—was simply this: The House framed its bill upon the theory that \$4,000 was a reasonable amount, in its opinion, for an American family to live upon, with a proper standard of living, and that a sum below that ought not to be taxed. When it came to us in that shape we concluded that that was true if you were going to take the family as a basis. The House bill provided that the husband and wife should be taxed as one. We provide that the man and woman shall be taxed just as if they were two men or two women. Then we give this \$1,000 additional to make the family exemption \$4,000; but if both husband and wife are taxable, each has an exemption of \$3,000 already, and therefore we do not give two taxable persons, being man and wife, in one household the \$1,000 additional exemption. They have \$6,000, to wit, \$3,000 apiece. That is the reason that was put there.

Mr. BRISTOW. I do not think the Senator fully understood just what my objection was.

Mr. WILLIAMS. Possibly not.

Mr. BRISTOW. I believe that if the man has a wife to support the exemption on the married man should be a thousand dollars more than on the unmarried man, but I do not believe the woman ought to have an exemption of a thousand dollars more because she happens to have a husband. I think the husband ought to be able to take care of himself.

Mr. WILLIAMS. I think she needs it a lot more than he does.

Mr. BRISTOW. It seems to me the Senator is encouraging indigent husbands.

Mr. WILLIAMS. No; no more than I am encouraging indigent wives.

Mr. BRISTOW. I do not agree with the proposition announced by the Senator.

Mr. WILLIAMS. My object is to give the family \$4,000 in any event where a man and wife are living together as man and wife, but I did not want to give them \$7,000. If both of them are taxable persons and each one had a right to an exemption of \$3,000, if I had given the additional \$1,000 that family would have gotten \$7,000 of exemption. In other words, in addition to \$3,000 to each as a person, they would have received \$1,000 as a family.

Mr. BRISTOW. My view of the matter, I take it, is different from the Senator's view. Where the husband has an income of \$4,000 I think no attention should be paid to the income of the wife, I do not care what it is; and if her income is \$3,000 I do not believe she ought to have an additional \$1,000 exempted because she happens to have a husband. I am opposed to permitting the wife to deduct the extra thousand dollars because of the presumption that she has to support her husband.

Mr. WILLIAMS. We did not put it upon the ground that the presumption was that she had to support her husband, nor did we put the additional exemption of a thousand dollars in the husband's case on the ground that he had to support his wife. We put it upon the ground that a family in any event, if either of them is taxable, ought to have an exemption a thousand dollars greater than a single person not in a family. In other words, we have tried to make the family the basis of the tax.

Mr. BRISTOW. Mr. President, in order to express my views I move to strike out of the amendment on page 171 all of line 25 after the word "law" and the comma, down to and including the word "wife," in line 4, page 172. That will strike out the part of the amendment which permits the wife to deduct from her net income a thousand dollars because she happens to have a husband.

The VICE PRESIDENT. The question is upon agreeing to the amendment proposed by the Senator from Kansas to the amendment of the committee.

The amendment to the amendment was rejected.

Mr. NORRIS. Mr. President, I move to strike out, on page 172, the last two words of line 7 and all of line 8, being the following words:

But the total exemption on account of children shall not exceed \$1,000.

I should like to inquire of the Senator from Mississippi why, in the opinion of the committee, the exemption of \$500 for each minor child supported by the head of the family, who has the income, should be limited to two? What is the theory of the committee—that the man with two children should be entitled to \$500 exemption for each one of them, and the man with three children should not be entitled to any more of an exemption?

Mr. WILLIAMS. Of course when you take an arbitrary line to stop or start with, in the case of anything, it is utterly impossible to give a logical reason for it, except that we wanted to limit somewhere the amount of exemptions to which the family would have a right; and it was thought that a thousand dollars was enough, in addition to the \$4,000, to constitute the exemption on account of children. In other words, if a man had \$3,000 a year that was exempt, and then had another thousand dollars on account of the fact that he was married, making \$4,000, and then had another thousand on account of the fact that he had children, that would be \$5,000, which was as much as we cared to have exempted from taxation to any one family.

It is possible under this bill that a family might have \$6,000 exempt; but, if so, it would be because the husband was a taxable person with an income of over \$3,000, and the wife was a taxable person with an income of over \$3,000.

I will say to the Senator in all frankness that as far as I am personally concerned I should not object if the exemption from taxation were \$500 for each child, with a limitation larger than this, but there must be a limitation somewhere. Surely, if a man happened to have 10 children, you would not want to give him an exemption from taxation of \$5,000 on account of the children; because the Senator knows, as I do, that the expense of taking care of a family does not grow in arithmetical proportion with the increase in the number of children. It is not much more expensive to take care of three or four children in a family than to take care of two, because the maintenance of the husband and the wife and the household expenses and a great many other charges are in common in both cases. But we thought we ought to fix a limit somewhere; and the committee, as well as the Democratic Party in conference assembled, concluded that a thousand dollars was a sufficient amount to allow for exemptions on account of children.

Of course I could not give any logical reason why you should stop at two any more than at three, or at three any more than at four; but the business reason which we had in mind was about what I have stated.

Mr. NORRIS. Mr. President, I am very much obliged to the Senator from Mississippi for his very candid explanation. I believe the Senate committee has improved upon the House bill in this particular respect, at least. It appeals to me that the man who is married and has a wife ought to have a greater exemption than the unmarried man. It appeals to me that the man who is raising children ought to have more of an exemption than the married man who is not raising children. So in this particular part of the bill the theory upon which the committee acted has always appealed to me, with the one exception of this limitation.

The Senator knows, and it is common knowledge, that the ordinary family of the ordinary person has, and ought to have, more than two children. There ought to be encouragement given for larger families than two children, at least. If \$4,000 is a sufficient exemption for an entire family, the Senator could meet the difficulty by making the amount of exemption for each child a less amount than \$500.

It seems to me there ought to be no limitation, however. It is not very much of a concession if you concede that much to the men and the women who are raising families and perpetuating the race and continuing the stability of the country. If there is to be an exemption, it seems to me that the man who is raising four or five children is more entitled to it than the man who is raising only two.

I do not believe the Senator's argument is well founded as far as this particular limitation is concerned. As far as I am concerned, I should like to take off the limitation entirely. But if you do not feel like taking it off entirely, as my amendment would, at least extend it to the ordinary-sized family that we would like to see and do see exist in the ordinary run of life.

Mr. OLIVER. Mr. President—

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Pennsylvania?

Mr. NORRIS. I yield to the Senator.

Mr. OLIVER. I will add to what the Senator says that this concession amounts to only \$5 a year for each child, and I do not think \$5 is too much bounty or premium to offer for each additional child. In fact, I think it would be good policy for the Government to offer more than that to encourage the propagation of liberal-sized families throughout the land.

Mr. NORRIS. I believe that is right.

Mr. WILLIAMS. In other words, stop race suicide; but let us do it in a separate bill.

Mr. NORRIS. The Senator knows that particularly on that subject it would be difficult to get a bill this far along in the parliamentary situation.

Mr. WILLIAMS. Yes.

Mr. NORRIS. The opportunity is here, now. If it is right to do it, let us do it. Here is the place, and this is the time.

Mr. WILLIAMS. Seriously, Mr. President, and laying aside—

Mr. NORRIS. I want to say to the Senator that in offering this amendment I am serious.

Mr. WILLIAMS. Oh, I know the Senator is; but I meant "being serious."

Mr. NORRIS. I am serious, and I think the Senator ought to be.

Mr. WILLIAMS. When I say "seriously," I mean that I intend to be serious, not that the Senator does. He is always serious. But, seriously, this exemption was not put here for the purpose of encouraging families to have children. It was put here because we thought a man with two children to take care of ought not to be taxed at the same rate as a man without children.

Mr. NORRIS. Then why tax the man with three children the same rate as the man with two?

Mr. WILLIAMS. We were trying to adapt the tax to the ability of the taxpayer, and not using it as a means to encourage large families, nor do I think this would be precisely the right bill in which to include any provision for that purpose. It may be that the Senator is right, and that the exemption ought to extend to three children or to four. Certain it is that families with only two children can not increase the population of any country, nor add strength to the State of which they are citizens. But we have it this way, and we have stopped at \$1,000; and I think everybody will admit that whether a man has two children or three or four this exemption helps him by keeping him to this extent from being taxed under the bill.

Mr. NORRIS. Mr. President, I look at the matter on this theory: I am not advocating giving a premium for families of any particular size. I do not want to apply any other rule of that kind. I simply think the man with three children can not afford to pay the tax as well as the man with two. You have made an exemption for children because it is harder for a man with a family of children to support to pay the tax than it is for the other man. Every time you tax him, and curtail his ability to support his family, he does just that much less, and must do just that much less, for the family. In the case of the family of more than two children, you are depriving them of some of the luxuries and some of the necessities of life which you are not taking away from the others.

I congratulate you on extending liberal exemptions to the family of two children; but for the same reason that you did that you ought to make the same exemption for the man who has three or four children. Certainly there is no justice, it seems to me, in stopping where the committee did.

Mr. WILLIAMS. We had to stop somewhere. I know one man who has 17 children.

Mr. NORRIS. I think we ought to let nature take its course, and not make an arbitrary stop. I ask for the yeas and nays on my amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. CHILTON (when his name was called). I announce my pair as on the former votes, and withhold my vote.

Mr. BRYAN (when Mr. FLETCHER's name was called). My colleague [Mr. FLETCHER] is absent on public business. He is paired with the junior Senator from Wyoming [Mr. WARREN].

Mr. LEWIS (when his name was called). I am paired with the junior Senator from North Dakota [Mr. GRONNA], and therefore withhold my vote.

Mr. REED (when his name was called). I am paired with the Senator from Michigan [Mr. SMITH]. I transfer that pair to the Senator from Oklahoma [Mr. GORE] and vote "nay."

Mr. THOMAS (when his name was called). I transfer my pair with the senior Senator from Ohio [Mr. BURTON] to the junior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. WARREN (when his name was called). I am paired with the senior Senator from Florida [Mr. FLETCHER]. I therefore withhold my vote.

The roll call was concluded.

Mr. LEA. I am paired with the Senator from Rhode Island [Mr. LIPPITT]. I transfer that pair to the junior Senator from Mississippi [Mr. VARDAMAN] and vote. I vote "nay."

Mr. KERN. I am paired with the Senator from Kentucky [Mr. BRADLEY] and withhold my vote.

Mr. CLARKE of Arkansas. I ask if the junior Senator from Utah [Mr. SUTHERLAND] has voted?

The VICE PRESIDENT. He has not.

Mr. CLARKE of Arkansas. I withhold my vote.

Mr. STONE. I have a pair with the Senator from Wyoming [Mr. CLARK], and will have to withhold my vote.

Mr. CHILTON. I transfer my pair to the junior Senator from Tennessee [Mr. SHIELDS] and vote "nay."

Mr. GALLINGER. I have a general pair with the junior Senator from New York [Mr. O'GORMAN], which I transfer to the junior Senator from Maine [Mr. BURLEIGH]. I vote "yea."

Mr. WARREN. I announced a pair with the senior Senator from Florida [Mr. FLETCHER]. I transfer that pair to the senior Senator from Connecticut [Mr. BRANDEGEE], so that the senior Senator from Florida will stand paired with the senior Senator from Connecticut. I vote "yea."

Mr. DILLINGHAM. I am paired with the Senator from Maryland [Mr. SMITH] on this and all other questions which arise on the bill. I make this announcement for the day. For that reason I withhold my vote.

Mr. LA FOLLETTE. I wish to announce that the junior Senator from Minnesota [Mr. CLAPP] is unavoidably absent from the Chamber this afternoon. If he were present, he would vote "yea."

The result was announced—yeas 27, nays 34, as follows:

YEAS—27.

Borah	Fall	Nelson	Sherman
Brady	Gallinger	Norris	Smoot
Bristow	Jones	Oliver	Sterling
Catron	Kern	Page	Townsend
Colt	La Follette	Perkins	Warren
Crawford	Lodge	Poinexter	Weeks
Cummins	McLean		

NAYS—34.

Ashurst	Johnson	Rahsdell	Smith, Ga.
Bacon	Lane	Reed	Smith, S. C.
Bankhead	Lea	Robinson	Swanson
Bryan	Martin, Va.	Saulsbury	Thomas
Chamberlain	Martine, N. J.	Shafroth	Thompson
Chilton	Myers	Sheppard	Walsh
Hollis	Overman	Shively	Williams
Hughes	Owen	Simmons	
James	Pomerene	Smith, Ariz.	

NOT VOTING—34.

Bradley	du Pont	Lippitt	Stephenson
Brandeggee	Fletcher	McCumber	Stone
Burleigh	Goff	Newlands	Sutherland
Burton	Gore	O'Gorman	Thornton
Clapp	Gronna	Pittman	Tillman
Clark, Wyo.	Hitchcock	Root	Vardaman
Clarke, Ark.	Jackson	Shields	Works
Culberson	Kern	Smith, Md.	
Dillingham	Lewis	Smith, Mich.	

So Mr. NORRIS's amendment to the amendment of the committee was rejected.

Mr. LODGE. I suggest, in line 6, on page 172, to strike out the word "minor." I think it is a hasty conclusion to infer that a minor child is a greater burden or expense upon the parents than a child that is not a minor. I think that is an erroneous deduction.

Mr. WILLIAMS. It is based upon the theory that the law compels the parent to take care of the minor child, and I think the law in taxing the parent ought to have some regard to that obligation.

Mr. LODGE. But, in line 7, it reads "living with and dependent upon." If the child is living with and dependent upon—

Mr. WILLIAMS. There was an amendment to be made. I think that is a misprint. It ought to read "each minor child of the taxable parent." The language "living with and dependent upon" was, I think, stricken out, but we will examine into it and we can take it up again. If I am right about it, I think that the language "living with and dependent upon" was stricken out, and it was left to read "each minor child of the taxable parent."

Mr. LODGE. The language is "child living with and dependent upon," and even if it were not a minor child of course the child is a charge upon the parent.

Mr. WILLIAMS. I will tell the Senator how it happened. It was at one time proposed to say "each child under 18," and then it was suggested there might be daughters over 18 still

dependent upon the family. So that language was put in. They were called minor children, and necessarily under 21 years. The legal obligation stops at 21 and of course the exemption ought to stop at that age.

Mr. GALLINGER. In lines 12 and 13 the words "living with and dependent upon" are dropped out.

Mr. WILLIAMS. I will take the matter up, and if I find out that I am wrong about it I will bring it up again.

Mr. LODGE. If I may make a suggestion to the Senator, I think the words "living with and dependent upon" are a better definition than the word "minor," because we know in many cases there are children of delicate health or perhaps crippled who are dependent upon the parents and live with them long after they are 21.

Mr. WILLIAMS. Yes; that is true; but the legal obligation to support them ceases at 21—

Mr. LODGE. The legal obligation ceases.

Mr. WILLIAMS. And of course the principle lying under exemption ceases. The language "living with" ought to be stricken out, anyhow. It might happen, for example, that a child, for many reasons conceivable, might be living with a grandparent or living with an uncle or somebody else. My impression is that we struck out the words "living with and dependent upon" and just left it to read "minor child."

Mr. OLIVER. Mr. President, I notice in lines 12 and 13 it reads "that the total exemption on account of children shall apply to a widow or a widower with a minor or dependent child or children." Therefore, it seems from the language employed that if a married couple have children they must be minors, but in the case of a widow or widower the limitation of age is entirely stricken off.

Mr. WILLIAMS. The Senator's suggestion would be perfectly just if it were not the fault of the printer. Instead of "or" it ought to read "and." I was expecting when we got to it to make that change, so as to read "with a minor and dependent child or children."

Mr. OLIVER. It is fortunate that there is a printer.

Mr. WILLIAMS. I will make it now. In line 12 the word "or" ought to be "and." I move that amendment to the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment of the committee.

Mr. JONES. I understood the Senator to say that the question was to be considered whether it should be limited to minor children of a certain age, under 18 or 16.

Mr. WILLIAMS. There was a proposition at one time to limit it to 18, upon the ground that a boy of 18 ought to be out making his living. Then it was suggested it might not be a boy; it might be a girl. So, finally, it was put that way.

Mr. JONES. It occurred to me that some limitation of that kind ought to be made. There are many families where there may be a couple of boys 18, 19, or 20 years of age who make a living for themselves, and I suppose generally they do. Yet here the parents get an exemption on that account. Then, on the other hand, there is a family of four or five children under 7 or 8 years of age, who make nothing for their support, and the parents get no greater exemption for those than the family does for the grown-up boys who are barely under 21.

Mr. WILLIAMS. Anybody seeking faults with a tax bill can always find them.

Mr. JONES. It seemed to me that it would be a much more equitable arrangement to specify minor children under a certain age. In the pension laws we recognize a limitation on minor children.

Mr. GALLINGER. Mr. President, I rose to suggest to the Senator that we probably have passed hundreds, certainly scores, of private pension bills giving a pension to deformed children and children sick from birth, regardless of their age.

Mr. JONES. Yes; that is true, but—

Mr. GALLINGER. We have passed hundreds of them, and it seems to me that if this was made to read "dependent children," without any reference to age, it would be better.

Mr. JONES. I merely make that suggestion. I do not think I shall offer any amendment, but it seems to me that that change should be made.

Mr. WILLIAMS. I thought if it read "dependent children" a great many children might be crowded in, and we had to fix some way to meet the conditions.

Mr. JONES. Why not provide that there shall be so much exemption for each child under 16 years of age, like we allow a widow in a pension case?

Mr. WILLIAMS. That would not be just to the girls in the family. Frequently there are unmarried girls who can not support themselves. The exemption ought to apply to them until they are 21. In other words, it ought to apply until the legal

obligation of the parent to support ceases. If the Senator wants to find a logical point, the logical point is that the exemption shall cease where the legal obligation to support ceases.

Mr. JONES. Of course the exemption covers children who are capable to care for themselves; it becomes more than a matter of relief to the parent; it becomes a matter of favor.

Mr. WILLIAMS. It is a relief for the parents because of the legal obligation.

The VICE PRESIDENT. The Chair understands that the amendment proposed by the Senator from Mississippi is to change the final word "or," in line 12, to the word "and," so as to read:

Shall apply to a widow or a widower with a minor and dependent child or children.

Mr. WILLIAMS. Yes.

The amendment to the amendment was agreed to.

Mr. GALLINGER. Does the Senator propose to strike out the words "living with and," at the beginning of line 7?

Mr. WILLIAMS. No; I ask to take that back and see what we have done. My impression is that it was stricken out.

Mr. GALLINGER. Very well.

Mr. SIMMONS. The committee will examine it.

Mr. WILLIAMS. I do not mean to recommit it, but I wanted merely to assure the Senate that I would look into that matter.

Mr. JONES. I wish to ask the Senator another question. The amendment now reads "with a minor and dependent child or children." Does that mean that there may be an exemption on account of one child as a minor and another child over age but dependent?

Mr. WILLIAMS. No; it is minor or dependent child or minor and dependent children.

Mr. JONES. What is the significance of the word "dependent" there? I understood the Senator to say a moment ago that if the child was a minor of course the parent had a legal obligation to support it.

Mr. WILLIAMS. If the Senator will notice above, in line 7, he will see the language "living with and dependent upon." If the Senator had done me the honor to have listened to me, he would have heard me say that I thought in caucus or in committee, one or the other, we had stricken out that language. If it was stricken out in the one place, it was stricken out in both. My recollection is that it was stricken out, but if it is to be left in one place of course it is to be left in the other.

Mr. JONES. I heard the Senator make that remark, but do I understand now it is to be left in, or is the Senator—

Mr. WILLIAMS. I will examine it and find out whether it is to be left in and what we did with it.

Mr. JONES. Is it not the Senator's idea that the word "dependent" was left out?

Mr. WILLIAMS. That is my recollection.

Mr. JONES. Then the Senator will bring the matter to the attention of the Senate again?

Mr. WILLIAMS. I will, provided it was left out.

Mr. JONES. But if it is to be left in, the Senator will let it go without any suggestion.

Mr. WILLIAMS. Yes.

Mr. JONES. I should like to have the Senator bring it to the attention of the Senate if he concludes that it is properly left in, because I think it ought to be left out or else we ought to understand whether the word "dependent" means something more than mere minority.

Mr. WILLIAMS. The Senator a moment ago was talking about the wrong of the exemption on account of 16 or 17 or 18 year old children who are not dependent.

Mr. JONES. Certainly.

Mr. WILLIAMS. And now, if I understand him, he is objecting to keeping the word "dependent" in the bill.

Mr. JONES. No; I want to know whether it means something or not when it is left in the bill, and I want to know if we leave it in whether it means that if the parents have one minor child and then another child who is not a minor, but is dependent on them, they get an exemption for both.

Mr. WILLIAMS. Undoubtedly it means that in order to have the exemption the child must be a minor and dependent. It is left in the bill and it says so.

Mr. JONES. I do not think that is what it means. I do not agree with that construction. I think if the Senator leaves the words "minor" and "dependent" in, it would be construed to mean one minor child and one child that was dependent because he was—

Mr. WILLIAMS. It could not possibly be so construed, because that is not the language.

Mr. JONES. Does the Senator mean that the minor child must be disabled in order to enable the parent to secure an exemption?

Mr. WILLIAMS. No; I do not.

Mr. JONES. Then, what does the word "dependent" mean?
Mr. WILLIAMS. It means dependent for support upon the taxpayer.

Mr. JONES. Does that mean actually dependent?

Mr. WILLIAMS. In other words, where the child or children are not making their own living.

Mr. JONES. But suppose a 20-year-old boy is making his living but is living with his parents?

Mr. WILLIAMS. Then, if this language means anything at all, there will be no exemptions on his account.

Mr. JONES. That is what I want to get at. In other words, the word "minority" does not procure the exemption, and the parent, in order to get the exemption for a minor child, must show that that child is actually dependent on him and is not making a living for himself? If that is what it means, that is what I wanted to understand.

Mr. WILLIAMS. That is what it says. It says minor and dependent child.

Mr. JONES. Yes. I had understood, however, that it was the Senator's contention that the fact of minority was the basis for the exemption. If the other contention is the understanding of the Senator, that is what I wanted to know.

Mr. SHIVELY. The Senator from Washington can easily conceive of a case where there may be a minor child with an absolutely independent fortune, in which event the parent would not have the benefit of the exemption.

Mr. JONES. What I wanted to understand clearly was whether or not that was the intention of the language here.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee, beginning in line 20, on page 171.

The amendment was agreed to.

The reading of the bill was resumed.

The next amendment of the Committee on Finance was, on page 172, line 17, before the word "said," to insert "D. The"; in line 18, after the words "income of," to strike out "such" and insert "each"; in the same line, after the word "person," to strike out "for the year ending December 31, 1913, and for each calendar year thereafter; and on," and in lieu thereof to insert "subject thereto, accruing during each preceding calendar year ending December 31: *Provided, however,* That for the year ending December 31, 1913, said tax shall be computed on the net income accruing from March 1 to December 31, 1913, both dates inclusive, after deducting five-sixths only of the specific exemptions and deductions herein provided for. On"; on page 173, line 9, after the word "having," to strike out "a net" and insert "an"; and in the same line, after the words "income of," to strike out "\$3,500" and insert "\$3,000"; on page 174, line 2, after the word "individuals," to insert "*Provided,* That a return made by one of two or more joint guardians, trustees, executors, administrators, agents, receivers, and conservators, or other persons acting in a fiduciary capacity, filed in the district where such person resides, or in the district where the will or other instrument under which he acts is recorded, under such regulations as the Secretary of the Treasury may prescribe, shall be a sufficient compliance with the requirements of this paragraph"; in line 15, after the word "annual," to insert "or periodical"; and in line 17, after the word "person," to insert "deduct and withhold from the payment an amount equivalent to the normal income tax upon the same and," so as to read:

D. The said tax shall be computed upon the remainder of said net income of each person subject thereto, accruing during each preceding calendar year ending December 31: *Provided, however,* That for the year ending December 31, 1913, said tax shall be computed on the net income accruing from March 1 to December 31, 1913, both dates inclusive, after deducting five-sixths only of the specific exemptions and deductions herein provided for. On or before the 1st day of March, 1914, and the 1st day of March in each year thereafter, a true and accurate return, under oath or affirmation, shall be made by each person of lawful age, except as hereinafter provided, subject to the tax imposed by this section, and having an income of \$3,000 or over for the taxable year, to the collector of internal revenue for the district in which such person resides or has his principal place of business, or, in the case of a person residing in a foreign country, in the place where his principal business is carried on within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, setting forth specifically the gross amount of income from all separate sources and from the total thereof, deducting the aggregate items or expenses and allowance herein authorized; guardians, trustees, executors, administrators, agents, receivers, conservators, and all persons, corporations, or associations acting in any fiduciary capacity, shall make and render a return of the net income of the person for whom they act, subject to this tax, coming into their custody or control and management, and be subject to all the provisions of this section which apply to individuals: *Provided,* That a return made by one of two or more joint guardians, trustees, executors, administrators, agents, receivers, and conservators, or other persons acting in a fiduciary capacity, filed in the district where such person resides, or in the district where the will or other instrument under which he acts is recorded, under such regulations as the Secretary of the Treasury may prescribe, shall be a

sufficient compliance with the requirements of this paragraph; and also all persons, firms, companies, copartnerships, corporations, joint-stock companies or associations, and insurance companies, except as herein-after provided, in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income of another person, subject to tax, shall in behalf of such person deduct and withhold from the payment an amount equivalent to the normal income tax upon the same and make and render a return, as aforesaid, but separate and distinct, of the portion of the income of each person from which the normal tax has been thus withheld, and containing also the name and address of such person or stating that the name and address or the address, as the case may be, are unknown.

The amendment was agreed to.

Mr. WILLIAMS. Mr. President, I want to offer an amendment at this point to cure an oversight in the bill. After the colon following the word "unknown," on page 174, line 24, I move to insert the following language:

Provided, That the provision requiring the normal tax of individuals to be withheld at the source of the income shall not be construed to require any of such tax to be withheld prior to the date of the passage of this act.

Then, Mr. President, following that amendment, the proviso in line 24 should read "*Provided further,*"

Mr. BORAH. Mr. President, as I understand, the Senator from Mississippi a day or two ago asked that a provision of the bill back on page 166 should be recommitted to the committee for further consideration.

Mr. WILLIAMS. Yes.

Mr. BORAH. I should like to have that portion of the bill which deals with the subject of relieving corporations from withholding the money due upon bonds to go with that provision, because they will both have to be considered together in a large measure, as I understand.

Mr. WILLIAMS. I do not see why they should both go together. Does the Senator mean the amendment which I have just offered?

Mr. BORAH. No; not this particular matter; but you have a provision in the bill relieving the payment at the source with reference to bonds, have you not?

Mr. WILLIAMS. Is the Senator referring to the provision in lines 6 and 7 on page 170?

Mr. BORAH. No; I am not referring to that. I will call the Senator's attention to the express provision when we reach it.

Mr. WILLIAMS. Very well; that will probably be better, if we have not reached it.

Mr. BORAH. I expected to leave the Chamber, but I will remain here until it is reached.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Mississippi [Mr. WILLIAMS].

The amendment was agreed to.

The reading of the bill was resumed.

The next amendment of the Committee on Finance was, in section 2, paragraph D, page 174, line 25, after the word "exceeding," to strike out "\$3,500" and insert "\$3,000"; on page 175, line 1, after the word "required," to insert "*Provided further,* That any persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of a partnership to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid, under the provisions of this section, and any such firm, when requested by the Commissioner of Internal Revenue, or any district collector, shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same, if distributed"; in line 12, after the word "persons," to strike out "liable only" and insert "liable"; in line 13, after the word "tax," to insert "only"; in line 18, after the word "provided," to strike out the semicolon and the words "and the" and insert a period; in the same line, after the word "provided," to insert "Any person for whom return has been made and the tax paid, or to be paid as aforesaid, shall not be required to make a return unless such person has other net income, but only one deduction of \$3,000 shall be made in the case of any such person. The"; after the word "it," at the end of line 24, to strike out "and may increase the amount of any list or return if he has reason to believe that the same is understated: *Provided,* That no such increase shall be made except after due notice to such party and upon proof of the amount understated; or if the list or return of any person shall have been increased by the collector, such person may be permitted to prove the amount liable to be assessed; but such proof shall not be considered as conclusive of the facts, and no deductions claimed in such cases shall be made or allowed until approved by the collector" and insert "If the collector or deputy collector have reason to believe that the amount of any income returned is understated, he shall give due notice to the person making the return to show cause why the amount of the

return should not be increased, and upon proof of the amount understated may increase the same accordingly," so as to read:

Provided, That in either case above mentioned no return of income not exceeding \$3,000 shall be required: *Provided further*, That any persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of a partnership to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid, under the provisions of this section, and any such firm, when requested by the Commissioner of Internal Revenue, or any district collector, shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same, if distributed: *Provided further*, That persons liable for the normal income tax only, on their own account or in behalf of another, shall not be required to make return of the income derived from dividends on the capital stock or from the net earnings of corporations, joint-stock companies or associations, and insurance companies taxable upon their net income as hereinafter provided. Any person for whom return has been made and the tax paid, or to be paid as aforesaid, shall not be required to make a return unless such person has other net income, but only one deduction of \$3,000 shall be made in the case of any such person. The collector or deputy collector shall require every list to be verified by the oath or affirmation of the party rendering it. If the collector or deputy collector have reason to believe that the amount of any income returned is understated, he shall give due notice to the person making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated may increase the same accordingly. If dissatisfied with the decision of the collector, such person may submit the case, with all the papers, to the Commissioner of Internal Revenue for his decision, and may furnish sworn testimony of witnesses to prove any relevant facts.

The amendment was agreed to.

The next amendment was, in section 2, paragraph E, page 176, line 20, after the word "made," to insert "by the Commissioner of Internal Revenue"; on page 177, line 5, before the word "provided," to strike out "above"; in the same line, after the word "for," to insert "in this section or by existing law," so as to read:

E. That all assessments shall be made by the Commissioner of Internal Revenue and all persons shall be notified of the amount for which they are respectively liable on or before the 1st day of June of each successive year, and said assessments shall be paid on or before the 30th day of June, except in cases of refusal or neglect to make such return and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained as provided for in this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the 30th day of June in any year, and for 10 days after notice and demand thereof by the collector, there shall be added the sum of 5 per cent on the amount of tax unpaid, and interest at the rate of 1 per cent per month upon said tax from the time the same became due, except from the estates of insane, deceased, or insolvent persons.

The amendment was agreed to.

The next amendment was, in section 2, paragraph E, page 177, line 19, after the word "including," to strike out "lessees or"; and on page 178, line 2, after the word "exceeding," to strike out "\$4,000" and insert "\$3,000," so as to read:

All persons, firms, copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, in whatever capacity acting, including mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers, and all officers and employees of the United States having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual gains, profits, and income of another person, exceeding \$3,000 for any taxable year, other than dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations subject to like tax, who are required to make and render a return in behalf of another, as provided herein, to the collector of his, her, or its district, are hereby authorized and required to deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax imposed thereon by this section, and shall pay to the officer of the United States Government authorized to receive the same; and they are each hereby made personally liable for such tax.

The amendment was agreed to.

The next amendment was, in section 2, paragraph E, page 178, line 13, after the word "tax," to strike out:

In all cases where the income tax of a person is withheld and deducted and paid or to be paid at the source, as aforesaid, such person shall not receive the benefit of the exemption of \$4,000 allowed herein except by an application for refund of the tax unless he shall, not less than 30 days prior to the day on which the return of his income is due, file with the person who is required to withhold and pay tax for him, an affidavit claiming the benefit of such exemption; nor shall any person under the foregoing conditions be allowed the benefit of any deduction provided for in subsection B of this section unless he shall, not less than 30 days prior to the day on which the return of his income is due, file either with the person who is required to withhold and pay tax for him a true and correct return of his annual gains, profits, and income from all other sources, and also the deductions asked for, and the showing thus made shall then become a part of the return to be made in his behalf by the person required to withhold and pay the tax, or such person may likewise make application for deductions to the collector of the district in which return is made or to be made for him.

And insert:

Provided, That landlords are to make their own returns and tenants are exempt from the provisions of the foregoing requirement except when, in the case of individuals, trustees, and other noncorporate owners, the terms of the lease require the tenant to pay State and municipal taxes and assessments against the property, the cost of

maintenance, repairs, and insurance, in which case tenants are authorized and required to deduct the tax out of the gross rental in the manner above prescribed. Where the owner is a corporation the tenant shall not be required in any case to deduct the tax upon the gross rental, the corporation itself being required to make the return and the statement of the deduction.

If the person receiving such payment of more than \$3,000 per annum is also entitled to deductions under the second paragraph of subsection B which reduce his aggregate income so as to entitle him to exemption from the normal income tax, or reduction of the amount subject to the tax, he may receive the benefit of such exemption, or reduction, either by filing with the person required to withhold the tax and pay it to the Government, not less than 30 days prior to the day on which the return of his income is due, an affidavit claiming the benefit of such exemption, and a true and correct statement of his annual income from all other sources, and of the deductions claimed, which affidavit and statement shall become a part of the return to be made in his behalf by the person required to withhold and pay the tax, or by making the application for the exemption to the collector of the district in which return is made or to be made for him, and proving to the satisfaction of the collector that he is entitled to the same.

The amendment was agreed to.

Mr. BORAH. Mr. President, the next paragraph is the one to which I referred, which I should like to have passed over until the committee reports upon the paragraph on page 166.

Mr. WILLIAMS. Let the Secretary read it.

The Secretary read as follows:

Where under the terms of a contract entered into before this act takes effect the payment to which the taxable person is entitled is required to be made without any deduction by reason of any tax imposed, the obligor shall not be compelled to make such deduction or withhold the income tax, but shall give notice to the collector of the payment made, or to be made, as part of the return which he is required to make, and the said sum shall in that case, for the purposes of this act, be computed as a part of the income of the taxable person. If the obligor fails to give such notice he shall be personally liable for the income tax if the same is not paid by the taxable person. No such contract entered into after this act takes effect shall be valid in regard to any Federal income tax imposed upon a person liable to such payment: *Provided further*, That if such person is a minor or an insane person, or is absent from the United States, or is unable owing to serious illness to make the return and application above provided for, the return and application may be made for him or her by the person required to withhold and pay the tax, he making oath under the penalties of this act that he has sufficient knowledge of the affairs and property of his beneficiary to enable him to make a full and complete return for him or her, and that the return and application made by him are full and complete.

Mr. WILLIAMS. I should like to hear what it is that the Senator has in mind.

Mr. BORAH. What I said was that I should like to have that part passed over until the committee reports upon the provision upon page 166.

Mr. WILLIAMS. Why should this go with that?

Mr. BORAH. Of course, the latter part of this has nothing to do with that; but there is one view of the matter on page 166 which I think might have a good deal to do with it. I do not know what the report of the committee will be upon it.

Mr. WILLIAMS. I do not see that one of these things is connected with the other. The clause to which the Senator refers is one intended to meet the case of contracts where the corporation undertakes to pay the tax, like the Steel Trust, for example, the Carnegie stock, and all that. This substantially leaves the question to be determinable at law. It exempts the corporation from being compelled to make the deduction, but makes it give notice to the collector of the tax. In that case the collector will compute the interest as a part of the income of the taxable person. But it is followed by this:

If the obligor fails to give such notice, he shall be personally liable for the income tax if the same is not paid by the taxable person.

If a corporation having that sort of a contract wants to keep its contract, all it has to do is to fail to give the notice and go ahead and pay the tax; and if there is going to be a lawsuit about it, the United States Government wants the taxable person—in the illustration I have given, Mr. Carnegie—to pay his tax.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

Mr. WILLIAMS. I will say that I do not think the two things are indissolubly tied to one another. If the Senator desires it to go over for some reason, of course I am perfectly willing that it shall go over; but I am not willing that it shall be recommitted.

Mr. BORAH. I am not asking that it shall be recommitted.

Mr. WILLIAMS. Very well; then the Senator simply wants it to go over. In that event it will be passed over; certainly. I owe an apology to the Senator. I misunderstood what he wanted.

The VICE PRESIDENT. Let the Chair understand the matter. Does the amendment go over before it is agreed to, or after?

Mr. BORAH. Before it is agreed to.

Mr. WILLIAMS. Yes; before it is agreed to.

Mr. SIMMONS. Why may not the amendment be agreed to now, with the understanding that it may be called up again if the Senator desires?

Mr. BORAH. I have no objection to that. I simply made the suggestion which is usually made here. I have no objection if it is to be reconsidered if we desire to reconsider it. Then let it be adopted.

The amendment was agreed to.

The VICE PRESIDENT. The Secretary will make a note that the amendment may be reconsidered if desirable.

The reading of the bill was resumed.

The next amendment of the Committee on Finance was, on page 181, line 16, after the word "bonds," to strike out the comma and insert the word "and"; in the same line, after the word "mortgages," to insert "or deeds of trust"; in line 17, after the word "other," to strike out "indebtedness" and insert "obligations," so as to read:

Provided further, That the amount of the normal tax hereinbefore imposed shall be deducted and withheld from fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages, or deeds of trust, or other obligations of corporations.

Mr. GALLINGER. I will call the Senator's attention to the fact that after the word "associations," in line 18, page 181, the word "and" should be inserted. It becomes necessary from the fact that the language on the next line has been stricken out.

Mr. WILLIAMS. The Senator is right about that. That was brought about by striking out the subsequent language.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On line 18, page 181, before the words "insurance companies," it is proposed to insert the word "and."

The amendment was agreed to.

The next amendment of the Committee on Finance was, on page 181, line 19, after the words "insurance companies," to strike out "and also of the United States Government not now exempt from taxation"; in line 22, before the word "subject," to strike out "\$4,000" and insert "\$3,000"; in line 24, after the word "income," to insert "and paid to the Government"; and on page 182, line 13, after the word "exceed," to strike out "\$4,000" and insert "\$3,000," so as to read:

Joint-stock companies or associations and insurance companies, whether payable annually or at shorter or longer periods, although such interest does not amount to \$3,000, subject to the provisions of this section requiring the tax to be withheld at the source and deducted from annual income and paid to the Government; and likewise the amount of such tax shall be deducted and withheld from coupons, checks, or bills of exchange for or in payment of interest upon bonds of foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries; and the tax in each case shall be withheld and deducted for and in behalf of any person subject to the tax hereinbefore imposed, although such interest, dividends, or other compensation does not exceed \$3,000.

The amendment was agreed to.

The next amendment was, at the top of page 183, to insert:

All persons, firms, or corporations undertaking as a matter of business or for profit the collection of foreign payments by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner of Internal Revenue, and shall be subject to such regulations enabling the Government to ascertain and verify the due withholding and payment of the income tax required to be withheld and paid as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe; and any person who shall undertake to collect such payments as aforesaid without having obtained a license therefor, or without complying with such regulations, shall be deemed guilty of a misdemeanor and for each offense be fined in a sum not exceeding \$5,000, or imprisoned for a term not exceeding one year, or both, in the discretion of the court.

The amendment was agreed to.

The reading of the bill was resumed.

The next amendment was, on page 183, line 21, after the word "return," to strike out "any person for whom return has been made and the tax paid, or to be paid as aforesaid, shall not be required to make a return unless such person has other net income, but only one deduction of \$4,000 shall be made in the case of any such person" and insert "under rules and regulations prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury."

Mr. WILLIAMS. Mr. President, that ought to be "to be prescribed." I move to amend the amendment by inserting the words "to be."

The VICE PRESIDENT. The amendment to the amendment will be stated.

The SECRETARY. On page 183, line 25, before the word "prescribed," it is proposed to insert "to be."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The next amendment was, on page 184, after line 3, to insert:

The provisions of this section relating to the deduction and payment of the tax at the source of income shall only apply to the normal tax hereinbefore imposed upon individuals.

The amendment was agreed to.

The next amendment was, in paragraph F, page 184, line 12, after the word "penalty," to strike out "not exceeding \$500" and insert "of not less than \$20 nor more than \$1,000"; in line 13, after the word "person," to insert "or any officer of any corporation"; and in line 18, after the word "exceeding," to strike out "\$1,000" and insert "\$2,000," so as to make the paragraph read:

F. That if any person, corporation, joint-stock company, association, or insurance company liable to make the return or pay the tax aforesaid shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, such person shall be liable to a penalty of not less than \$20 nor more than \$1,000. Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this section to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

The amendment was agreed to.

The next amendment was, in paragraph G, page 185, line 2, after the word "organized," to strike out "but"; in line 4, before the word "upon," to insert "then"; in line 4, after the word "income," to strike out "arising or"; and in line 5, after the word "accruing," to strike out "by it," so as to read:

G. (a) That the normal tax hereinbefore imposed upon individuals likewise shall be levied, assessed, and paid annually upon the entire net income arising or accruing from all sources during the preceding calendar year to every corporation, joint-stock company or association, and every insurance company, organized in the United States, no matter how created or organized, not including partnerships; but if organized, authorized, or existing under the laws of any foreign country, then upon the amount of net income accruing from business transacted and capital invested within the United States during such year.

The amendment was agreed to.

The reading of the bill was resumed, and the Secretary read to line 11, page 185, as follows:

Provided, however, That nothing in this section shall apply to labor, agricultural, or horticultural organizations, or to mutual savings banks not having a capital stock represented by shares, or to fraternal beneficiary societies, orders, or associations operating under the lodge system.

Mr. WILLIAMS. Mr. President, on line 11, page 185, after the word "system," there ought to be an amendment made to carry out the purpose of the bill. It says:

Fraternal beneficiary societies, orders, or associations operating under the lodge system.

It appears from some information I have recently received that the insurance branch of the Masonic fraternity does not operate under the lodge system, although, of course, the fraternity itself does. I ask that this part of the proviso may be held open for the purpose of an amendment. I have not yet had a chance to consult the committee about it.

The VICE PRESIDENT. The proviso, beginning on line 7, page 185, and going down to line 11, will be passed over.

The reading of the bill was resumed.

The next amendment was, on page 185, line 19, after the word "charitable," to insert "scientific"; and in line 21, after the word "individual," to insert "nor to business leagues, nor to chambers of commerce or boards of trade, not organized for profit or no part of the net income of which inures to the benefit of the private stockholder or individual; nor to any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare," so as to read:

And providing for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations and dependents of such members, nor to domestic building and loan associations, nor to cemetery companies, organized and operated exclusively for the mutual benefit of their members, nor to any corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual, nor to business leagues, nor to chambers of commerce or boards of trade, not organized for profit or no part of the net income of which inures to the benefit of the private stockholder or individual; nor to any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare.

The amendment was agreed to.

Mr. HITCHCOCK. Mr. President, I have an amendment which I should like to offer and have read at this point.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. After the first paragraph in section G, page 186, it is proposed to insert the following proviso, to come in after the word "welfare" in line 2:

Provided, That whenever a corporation, joint-stock company, or association shall produce or sell annually one-quarter or more of the entire amount of any line of production in the United States open to general manufacture or production the rate of tax to be levied, assessed,

and paid per annum upon the entire net income of such corporation, joint-stock company, or association arising or accruing from all sources shall be as follows:

A. If its production or sale be one-quarter and less than one-third of the total amount of any line of production, its annual tax shall be five times the normal tax hereinbefore imposed, to wit, 5 per cent.

B. If its production or sale be one-third and less than one-half of the total amount of any line of production, its annual tax shall be ten times the normal tax hereinbefore imposed, to wit, 10 per cent.

C. If its production or sale be one-half or more of the total amount of any line of production for the whole country, its annual tax shall be twenty times the normal tax hereinbefore imposed, to wit, 20 per cent on its entire net income accruing from all sources. The words "line of production" above used shall be construed to mean any particular article or any particular commodity, or to mean any class of articles or commodities ordinarily manufactured in conjunction with each other from the same or similar materials; but no line of production shall subject a corporation to any additional tax imposed by this paragraph unless said line of production amounts to at least \$10,000,000 a year, nor shall this additional tax provided for in this paragraph apply to corporations, joint-stock companies, or associations employing less than \$50,000,000 capital represented by stock or bonds, or both. In the levying and collection of the tax authorized in this paragraph the findings of the Secretary of Commerce as to the annual production and sale by corporations, joint-stock companies, or associations shall be taken as prima facie evidence; and whenever those findings show that a corporation, joint-stock company, or association controls one or more other corporations, joint-stock companies, or associations, directly or indirectly, the same line of production of the subsidiary concern shall be added to that of the controlling concern; and whenever it appears that two or more corporations, joint-stock companies, or associations have stockholders in common to the extent of 50 per cent in either, each shall pay the rate of tax that would be levied if the two concerns were united and their product combined.

Mr. WILLIAMS. If the Senator from Nebraska wants to be heard upon this amendment, as I apprehend is the case—

Mr. HITCHCOCK. Yes, sir; it is.

Mr. WILLIAMS. It is 6 o'clock now, and I will yield for a motion to go into executive session.

EXECUTIVE SESSION.

Mr. HITCHCOCK. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 8 minutes spent in executive session the doors were reopened, and (at 6 o'clock and 10 minutes p. m.) the Senate adjourned until to-morrow, Friday, August 29, 1913, at 11 o'clock a. m.

NOMINATIONS.

Executive nominations received by the Senate August 28, 1913.

AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY.

Henry Morgenthau, of New York, to be ambassador extraordinary and plenipotentiary of the United States of America to Turkey, vice William Woodville Rockhill, resigned.

COLLECTORS OF CUSTOMS.

Zach L. Cobb, of Texas, to be collector of customs for the district of El Paso, in the State of Texas, in place of Alfred L. Sharpe, resigned.

Frank Rabb, of Texas, to be collector of customs for the district of Laredo, in the State of Texas, in place of James J. Haynes, resigned.

AGENT AND CONSUL GENERAL.

Olney Arnold, of Rhode Island, to be agent and consul general of the United States of America at Cairo, Egypt, vice Peter Augustus Jay.

MINISTER RESIDENT AND CONSUL GENERAL.

George W. Buckner, of Indiana, to be minister resident and consul general of the United States of America to Liberia, vice Fred R. Moore, resigned.

CONFIRMATIONS.

Executive nominations confirmed by the Senate August 28, 1913.

PROMOTIONS AND APPOINTMENTS IN THE NAVY.

Lieut. George B. Landenberger to be a lieutenant commander.

Lieut. (Junior Grade) Herndon B. Kelly to be a lieutenant.

Theodore W. Johnson to be a professor of mathematics.

Carlos V. Cusachs to be a professor of mathematics.

Arthur E. Younie to be an assistant surgeon in the Medical Reserve Corps.

Walter C. Espach to be an assistant surgeon in the Medical Reserve Corps.

John F. X. Jones to be an assistant surgeon in the Medical Reserve Corps.

POSTMASTERS.

IOWA.

E. R. Ashley, Laporte City.
Henry F. Eppers, Montrose.
Anton Huebsch, McGregor.
Ben Jensen, Onawa.

NORTH DAKOTA.

Frank Lish, Dickinson.
V. F. Nelson, Cooperstown.

OHIO.

E. E. France, Kent.
James P. Stewart, Niles.

TEXAS.

Lon Davis, Sealy.
W. T. Hall, La Porte.

WEST VIRGINIA.

J. L. Butcher, Holden.

SENATE.

FRIDAY, August 29, 1913.

The Senate met at 11 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Secretary proceeded to read the Journal of yesterday's proceedings, when, on request of Mr. SIMMONS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

GOODS IN BOND.

The VICE PRESIDENT. The Chair lays before the Senate a communication, which will be read.

The Secretary read as follows:

TREASURY DEPARTMENT,
Washington, August 27, 1913.

The PRESIDENT OF THE UNITED STATES SENATE.

SIR: I have the honor to acknowledge receipt of a copy of a Senate resolution under date of the 21st instant, requesting, for the use of the Senate, certain information relative to goods held without the payment of duty in warehouse now and at the same time in the year 1912.

In reply I have to advise you that similar information with respect to goods in warehouse August 1, 1912, and August 1, 1913, was forwarded to you under date of August 21, 1913, in compliance with a resolution of the Senate of August 1, 1913.

The figures, if compiled on goods in warehouse August 21, would probably differ but little from those furnished you computed on goods in warehouse under date of August 1, and it would take some time to compile them. In view of the matter, I have to request to be informed whether data similar to that given in my letter of August 21, as of August 1, is desired brought down to August 21.

Respectfully,

W. J. MCADOO, Secretary.

The VICE PRESIDENT. The communication will lie on the table.

ENROLLED BILL SIGNED.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the Speaker of the House had signed the enrolled bill (S. 1620) to provide for representation of the United States in the Fourteenth International Congress on Alcoholism, and for other purposes, and it was thereupon signed by the Vice President.

CALLING OF THE ROLL.

Mr. KERN. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Fletcher	Norris	Smith, Md.
Bacon	Gallinger	Oliver	Smith, S. C.
Bankhead	Hitchcock	Page	Smoot
Borah	Hollis	Penrose	Sterling
Bradley	Hughes	Perkins	Stone
Brady	James	Pittman	Sutherland
Brandeggee	Johnson	Pomerene	Swanson
Bristow	Jones	Robinson	Thomas
Bryan	Kenyon	Root	Thompson
Chamberlain	Kern	Saulsbury	Townsend
Chilton	La Follette	Shafroth	Vardaman
Clapp	Lane	Sheppard	Walsh
Clark, Wyo.	Lea	Sherman	Warren
Colt	Lodge	Shields	Weeks
Crawford	McCumber	Shively	Williams
Cummins	McLean	Simmons	Works
Dillingham	Martin, Va.	Smith, Ariz.	
Fall	Martine, N. J.	Smith, Ga.	

Mr. McCUMBER. I again announce the necessary absence of my colleague [Mr. GRONNA].

Mr. TOWNSEND. The senior Senator from Michigan [Mr. SMITH] is absent from the city on important business. He is